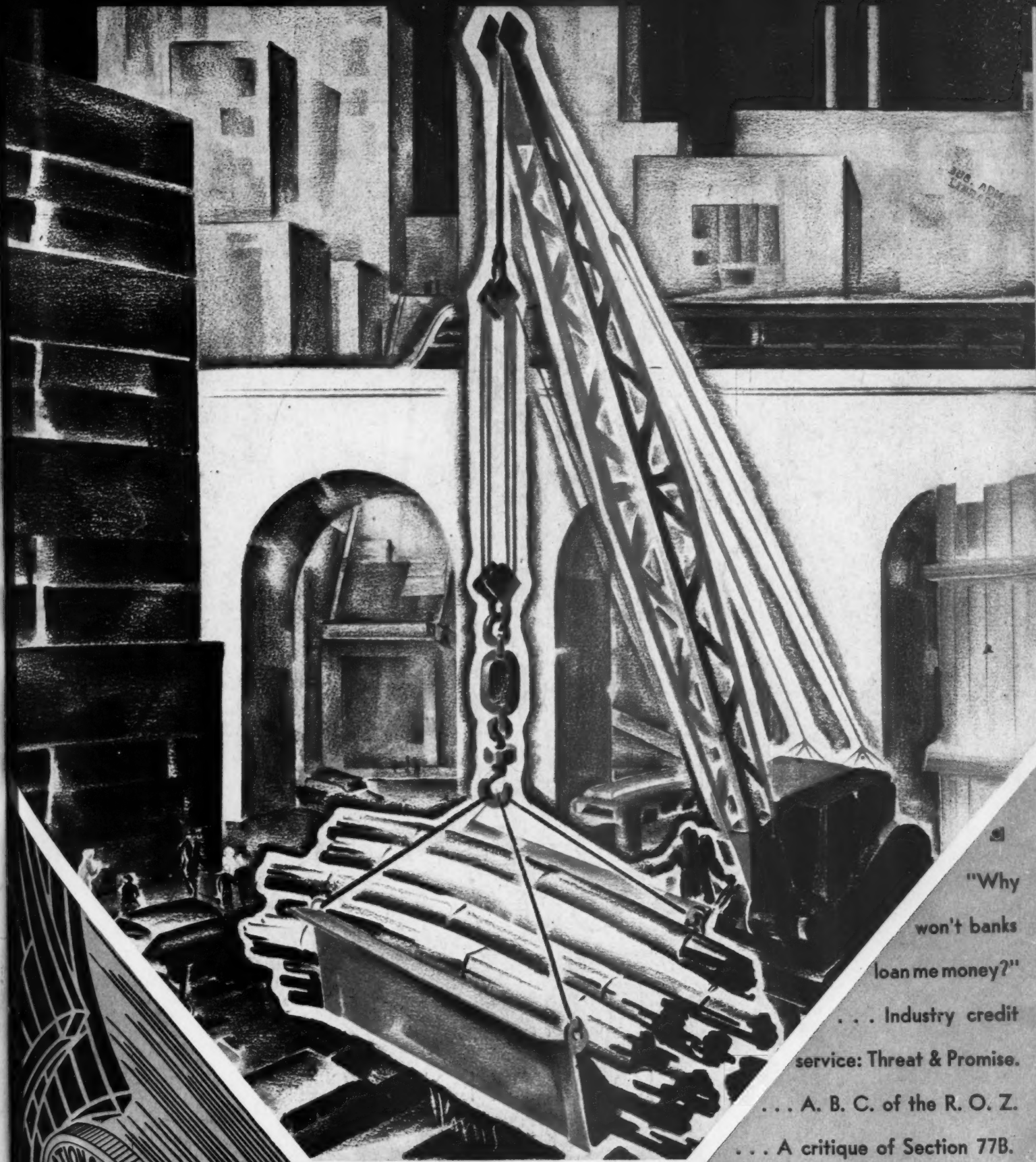


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"Why
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... Industry credit
service: Threat & Promise.

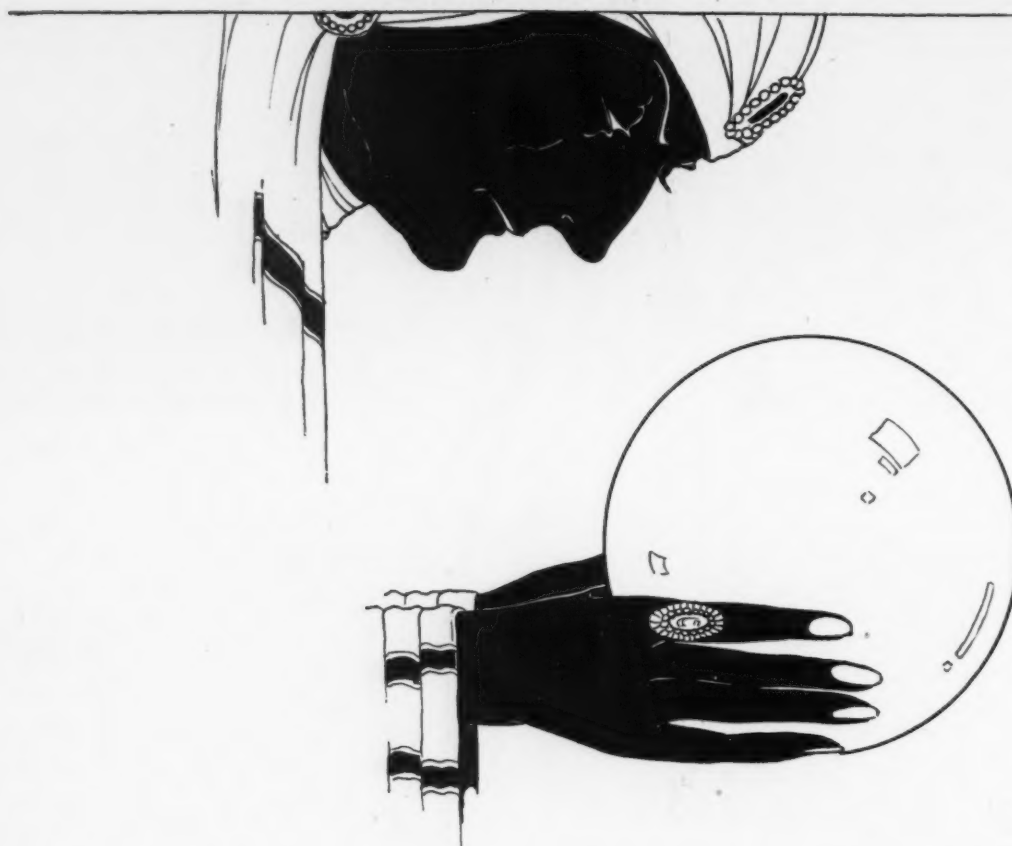
... A. B. C. of the R. O. Z.

... A critique of Section 77B.

CREDIT

FINANCIAL MANAGEMENT

APRIL, 1935



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INFORMATION

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DECEMBER 31, 1934

ASSETS

Cash in Banks and Trust Companies .	\$12,982,714.57
United States Government, State, County and Municipal Bonds . . .	12,772,811.24
Other Bonds and Stocks	54,754,938.07
Premiums uncollected, less than 90 days due	9,367,676.76
Accrued Interest	369,749.00
Other Admitted Assets	752,125.00
	<u>\$91,000,014.64</u>

LIABILITIES

Capital Stock	\$12,000,000.00†
Reserve for Unearned Premiums . . .	35,757,663.00
Reserve for Losses	4,844,858.00
Reserve for Unpaid Reinsurance . . .	812,172.30
Reserve for Taxes and Accounts . .	1,400,000.00
NET SURPLUS	<u>36,185,321.34†</u>
	<u>\$91,000,014.64</u>

NOTE—On the basis of December 31, 1934 market quotations for all Bonds and Stocks owned, the total admitted Assets would be increased to \$91,130,121.33 and the net Surplus to \$36,315,488.03. Securities carried at \$2,569,823.00 and cash \$50,000.00 in the above statement are deposited as required by law.

SURPLUS AS REGARDS POLICY-HOLDERS,
\$48,185,321.34†

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The Manhattan Fire and Marine Insurance Company
The Union Fire, Accident and General Insurance Company

ANNUAL STATEMENTS

DECEMBER 31, 1934

ASSETS

	London Assurance (United States Assets)	The Manhattan Fire and Marine	The Union Fire (United States Assets)
Government, State and Municipal Bonds.....	\$2,526,289.35	\$ 985,691.57	\$ 609,957.45
Railroad Bonds.....	1,261,430.58	770,261.02	336,658.16
Public Utilities, Industrial and Miscellaneous Bonds	822,906.14	522,905.68	243,740.75
Railroad Stocks.....	194,912.00	5,500.00	1,790.00
Public Utilities, Industrial and Miscellaneous Stocks	906,300.00	192,300.00	.....
Mortgage Loan on Real Estate.....	18,000.00	.....	.....
Premiums in course of collection (less than 90 days)	673,998.16	95,175.38	73,612.11
Cash in Banks and Offices.....	920,029.92	151,835.35	147,478.34
Other Assets.....	135,488.40	36,552.88	28,113.65
Total Assets.....	\$7,459,354.55	\$2,760,221.88	\$1,441,350.46

LIABILITIES

Losses under adjustment.....	\$ 653,894.96	\$ 38,622.77	\$ 67,668.00
Unearned premiums on insurance written but not expired.....	3,072,163.81	696,345.44	386,552.41
Contingency Reserve*.....	.....	.....	30,544.53
Taxes not yet due and reserve for other liabilities..	315,181.00	58,261.39	30,264.19
Total Liabilities.....	\$4,041,239.77	\$ 793,229.60	\$ 515,029.13
Statutory Deposit.....	\$ 400,000.00	.....	\$ 200,000.00
Capital, paid up.....	.....	\$1,000,000.00	.....
Surplus.....	3,018,114.78	966,992.28	726,321.33
SURPLUS TO POLICYHOLDERS.....	\$3,418,114.78	\$1,966,992.28	\$ 926,321.33
Total.....	\$7,459,354.55	\$2,760,221.88	\$1,441,350.46

*The Contingency Reserve represents the difference between the values carried in the assets and actual December 31, 1934 market quotations.

Securities carried at \$674,893.78 for the London, \$55,251.42 for the Manhattan, and \$385,415.75 for the Union in these statements are deposited as required by law. On the basis of December 31, 1934 actual market quotations for all bonds and stocks owned, the London's total assets would be increased to \$7,564,386.50, and surplus to policyholders to \$3,523,146.73. On this basis the Manhattan's total assets would be increased to \$2,806,175.73, and surplus to policyholders to \$2,012,946.13.

EVERETT W. NOURSE, *United States Manager and President*
Ninety-Nine John Street

New York



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Looking ahead

In May we are planning to present the regular quarterly survey of Latin-American credit and collection conditions by W. S. Swingle in addition to a series of pertinent articles on credit problems such as:

1. A sales executive, formerly a traveling salesman, discusses "Should the traveling salesman handle complaints and collections."

2. A credit executive presents a plan to "Let Uncle Sam bring in the checks."

3. Our Washington correspondent analyzes legislative developments that may affect credit—such as bankruptcy laws in these days of debtor psychology, social insurance schemes, banking changes.

4. The head of our new Washington Service Bureau tells just where to contact if your firm wants to sell the government.

5. As well as a study of nationalism, an article on the future of Pittsburgh, and further news of developments for the 40th Annual N.A.C.M. Convention, June 17 to 21.

Cover drawn by WAYN SMITH

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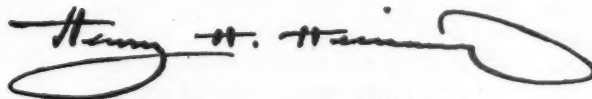
EN Small business management is usually on intimate terms with its stockholders. Such management normally is substantially the owner of the business and this very type of ownership insures equitable treatment to stockholders.

Large industries, involving huge investments, can hardly be expected to have the management that possesses stock-ownership of a substantial ratio to total issues outstanding. And because of this situation, not infrequently in the past, management has not completely realized its responsibility and has been more concerned over the rewards of management than over the returns to employees or stockholders.

In a sense of fairness, as a realization of responsibility and as a measure of self-protection, our large industries should not object to any sound movements looking towards protection of stockholders, particularly minority stockholder groups. Perhaps we have reached the point where, professionally, we could begin the building of a competent and qualified group of men, who are properly licensed after examination, with experience to serve as directors in corporate organizations. The purpose of the selection of such a director in a corporation would be as representative of the minority stockholders and the public, including the employees. The director should be chosen by minority stockholders to represent them and a director's interest should be unprejudiced in the protection of the stockholders and employees.

Although the work these men would do would be in the nature of a quasi-public assignment, they should not be government officials. They could render a service comparable to certified public accountants in the accounting field. Such representation in large industries might well help to eliminate the evils which have been revealed during the depression years as existing in what is too often referred to, in a slurring way, as "big business."

Big business is paying the price for labor trouble because it did not clearly realize in time the employer-employee relationship that would follow the development of large organizations. It may be forced to pay the penalty for stockholder responsibility unless it recognizes its obligation in sufficient time to graciously accept public directors. A man who would make it a business to serve as a director in one or more large organizations, with a variety of assignments, could give to the job sound and constructive thought. His work could well be a service with triple reward—to the stockholders, to the management, and to the employees.



Executive Manager, N.A.C.M.

"Why won't the banks

The question:

by JAMES N. JONES,
Assistant Treasurer,
Decatur & Hopkins Co.,
Boston, Massachusetts.

Q Why won't the banks loan me money? That question has been asked me and my associates in credit work many times in the last three years. It is a question of interest to all small independent dealers, but I shall make no attempt to answer it here; merely present the case from the dealer's standpoint. To make my arguments more graphic, I shall first give an example which I know to be true, relating to a hardware store located near Boston.

This particular storekeeper started in business fifteen years ago on a limited capital, with a background which included several years' experience in accounting, and several years' clerking in a hardware store. The venture was a success from the start. As time went on, the owner expanded to the point where he owned three stores.

In 1932, his bank indebtedness, which amounted to \$7,000.00 was called for immediate payment. Naturally, he could not liquidate this loan over night so he sold one of his stores for \$4,000.00; paid the bank \$3,500.00; and distributed the other \$500.00 among other creditors. Subsequently, he paid the bank \$250.00 each month until the loan was paid in full. No deviation from the payment plan agreed upon was made at any time; interest was met in full; and the payments made on the specified dates to the bank.

During 1933, no accommodation at the bank was sought, but in 1934, with business increasing and a successful year behind him, he took the following statement to the bank and attempted to obtain a loan. These are the figures:

ASSETS

Cash on hand and
in bank..... \$578.00

CREDIT and FINANCIAL MANAGEMENT APRIL, 1935

Comparison of business loans and industrial production

	Industrial Production (1931=100)			Business Loans (000,000 omitted)			
	3rd Quarter, 1932	3rd Quarter, 1934	Per Cent Increase	July 1932	October 1934	Difference	Per Cent Change
England	93.1	119.0	+28	£840	£760	£80	— 9.5
Sweden	86.0	119.0	+38	KR4,425	KR3,774	—KR651	—14.7
Canada	81.2	108.0	+33	\$1,179	\$1,029	—\$150	—12.7
U. S.	74.9	90.1	+20	\$5,500	\$4,750	—\$750	—13.6

Source: Industrial Production—League of Nations monthly bulletins for Sweden, Canada and England. Federal Reserve Board for the U. S.
Business Loans—Federal Reserve Bulletin for England, Canada, and U. S.
Scandinaviska Kreditaktiebolaget for Sweden.

"Banking"

Accounts Receivable	3,625.00
Merchandise	23,482.67
	<hr/>
	\$27,685.67

LIABILITIES

Account Payable to Merchandise Creditors.....	\$6,926.40
Net Worth.....	20,759.27
	<hr/>
	\$27,685.67
Sales for 1934.....	\$53,000.00

Of the accounts payable, about \$5,000.00 would pay everything beyond thirty days and enable this man to discount all his bills. That was the amount he attempted to borrow.

The banker glanced at the figures and told him he was sorry that such a loan would constitute a capital loan and could not be made. The banker pointed out that a loan of this kind, which would run over a longer period than ninety days, was one that was out of the question at the present time. That did not help the dealer out of his difficulty and he brought his problem to us, as we are one of his chief sources of supply, and asked us, why, with a net worth of \$20,000.00, and a clear record extending over fifteen years, he could not borrow \$5,000.00.

Frankly, we do not know the answer, but we do know that there are a great many accounts on our books which are in the same position as the example il-

lustrated above. We believe that some method of financing these customers in a business-like manner through the banks will aid business materially.

That there are a number of dealers faced with this problem, we know to be a fact. We also feel that the matter deserves attention from those who are attempting to expand credit, and our own answer to the problem is this:

We have attempted, in cases of this kind, to work out a plan which will gradually bring the account to a discount basis. But, supposing the man does not have a past due account but needs the money for legitimate expansion, where is he to go for credit?

Naturally, the bank was this man's first thought, because it was bank credit and help which enabled him to build up this business. Perhaps he is the "Forgotten Man" we have heard about. He and thousands like him eagerly await the answer. He is on the firing line in our chain of distribution and adequately financed, he becomes a better customer for the next group, the wholesalers. In turn, this second group become better outlets for the manufacturer, and most important of all, everyone employed along the line, benefits, and the whole economic structure is strengthened.

I realize I have pointed out only one example, and merely raised a question; but I feel sure there are others who have similar examples and questions.

I hope someone may have the answer. I, for one, would like to hear it.

loan me money?"

The answer:

by CHARLES H. PARTON,
Credit Department of
The Chase National Bank,
New York*.

Any attempt to formulate a concrete answer to the question submitted is, of course, merely one person's guess. The case as outlined is, no doubt, representative of many small retail businesses throughout the country. A discussion of the condition is bound to bring contra ideas but, because there is an implication that banks are unwilling to lend money—that these small dealers are more or less ostracized from the banks' good graces—I would like to try to give a cross view of the banks' problem.

I believe that wherever it is practical, banks, either in cosmopolitan areas or in small towns, are interested in expanding credit—if it can be done safely. What we have come to call "prosperity" seems to hinge on the greatly abused term "credit expansion". Yet, as we look back to the "good times", we find that bank loans represented as much as seventy-five percent of deposits at one time.

Is it not so that the principal source of revenue to banks comes from loans? Isn't it true that the tendency toward standardization of bank services, as well as the type of investments they make, has cut their earnings? If those two facts are admitted, then it is hard to believe, where a productive loan can be made with reasonable risk, that any bank would not endeavor to find a basis for making the loan.

The question as presented, however, seems to depend a great deal more upon economic features than the mere judging of a credit risk. Because the information given is limited, an academic analysis of the statement quoted is less practical in this discussion than a review of the actual conditions leading up to this man's present position—more or

less in the nature of trying to undo what harm we may believe has been done.

The inquirer admits that this business is frozen; that the main problem is to find a way of meeting trade debts; and that he apparently cannot depend too heavily on his receivables. In reality, then, I do not believe the question involved is "Why won't the bank lend me money", but rather "how can banks safely make loans of this type."

No one individual is licensed to speak from the banker's standpoint because the matter of making a loan is different in each case. We cannot create any standard without eliminating the personal element, and that is still the important feature in the majority of small loans. No bank really takes a definite stand as to whether or not it will make loans to one particular industry—or division of that industry. If the inquirer wishes to use this case as a measuring stick, those facts should be considered. Certain features, however, are applicable to many cases and so we might find some answer in the facts as stated.

Look first, if you will, from the business man's standpoint. He prides himself on having been successful—if only to a moderate degree. His record is clear—he had a big business at one time—enough, that the bank was glad to make loans to him. The bank made money on those loans and was repaid.

His present condition is, he believes, no fault of his own. It does seem that we must agree that the advent of chain stores and mail order houses has not only made competition keen for him but has practically pushed him from the lucrative cash revenue, he must have once enjoyed, to catering to "book business". He will say that, if the bank cannot come to his rescue when he needs it, the community is not being served. On that theory he has a good argument, but that is not the only question involved.

Changing conditions have caused the banker to alter his viewpoint from what it was in boom times. The change seems to be more in his attitude toward risk. There is so much involved in the term "credit expansion"—and its application here involves such a small percentage of the meaning, that I hesitate to use the term. It involves, however, increasing volume on an increased risk

with, of course, larger earnings resulting. I am not sure whether banks should promote that type of expansion unless it is in cases where consumer's demand is certain and they really can feel that they are making a productive loan.

As we regard this case from the banker's standpoint, our first action is to consider the past record of the customer. True, that there was no default on loans; true, that the bank made money on those loans, but, in the real sense, there seems to be, in this very case, a concrete example of the evils of loose credit expansion.

The man began business with limited means. His success, if we can actually call it that by measuring the number of stores he owned, was noteworthy. It is obvious, however, that such success was not necessarily a result of actual earnings, but rather that he was working on outside capital for, when it came time to liquidate the loan, did he not have to sell one of the stores? The good points in past records can, under present conditions, be used only as a gauge in measuring willingness to pay. A judgment of ability to pay must come from an analysis of earnings and, of course, some basis of estimating the business' possibilities. Where these two features measure up, I am sure any banker would try to find a way of being of real assistance.

But in this case the equity is all inventory. Receivables may, or may not be prime and, even though we have no knowledge of earnings, it would seem that a working capital turnover of only two times a year would put the business in a poor earning position—in fact, that is what makes the proposition uninviting. The banker, in using the term "capital loan", is merely saying that because of the required heavy stock and the fact that the man must carry his accounts, he really needs more permanent capital.

Suppose, as stated, the loan would enable this man to discount bills. Would not the interest on a bank loan, that would run as long as it would seem this one would have to, eat up most of the savings derived? Isn't it really a question of the bank temporarily lifting the trade creditor out of the picture—I say temporarily because the trade would, no doubt, be back "in" again when it came to replenishing the stock, unless, of course, some unexpected increase in sales volume were brought about.

The inquirer speaks of "legitimate expansion". An in- (Cont. on page 40)

* These views are Mr. Parton's, not the official statement of his bank.

Financial fundamentals of Section 77-B

By DR. LOUIS P. STARKWEATHER, Professor of Finance, New York University, and
FRANK L. VALENTA, Industrial and Financial Consultant, New York City.

Section 77-B of the Bankruptcy Act has been hailed by many as an important "recovery" measure to corporations, creditors, and stockholders. Its more optimistic supporters regard it as a "cure-all" for ailing and failing corporations.

In many cases the impression has developed that 77-B will remove in a wholesale manner those obstacles now blocking the road to general business recovery and profitable corporate enterprise. The advantages of this new amendment over the former bankruptcy act have been given wide publicity, and the number of corporations filing petitions are increasing.

The fundamental objectives which prompted the enactment of 77-B were threefold: (1) to speed up the process of corporate reorganization, (2) to extend relief to financially distressed corporations without forcing recourse to bankruptcy proceedings, and (3) to force recalcitrant minorities to accept the decisions of the majorities. Typical of much of the legislation enacted in the last two years, this amendment was concerned primarily with debtor relief. As a result it appears that certain fundamental financial principles of sound reorganization were overlooked.

From a broader point of view that act represents a definite contribution to the field of reorganization finance. Failure rarely strikes without warning, and its tendencies can be detected in the earlier stages of business misfortune, long before legal insolvency is reached.

There are three stages in the development of business failure. (1) Economic, (2) Financial, and (3) Legal. Economic failure does not require that activities be suspended, that losses to creditors be involved, that inability to meet debt payments be present, or that capital be impaired. It regards a corporation a failure if its activities are basically uneconomic or when it may

be definitely determined that profits offer inadequate compensation for the business risk assumed.

Financial failure, on the other hand, has been interpreted to mean that a corporation is "incumbered with debt, beset with urgent claims and demands, and is unable to meet its pecuniary engagements." Such a condition is characterized by a weak current asset and cash position which might readily be overcome without recourse to receivership or bankruptcy.

A continued state of economic and financial failure inevitably leads to legal insolvency. Formerly it was difficult to effect sound reorganizations prior to the stage of legal insolvency without recourse to receivership, bankruptcy, or foreclosure proceedings. Section 77-B, however, now recognizes for the first time a condition of failure prior to legal insolvency and bankruptcy. It provides the necessary legal facilities for an effective reorganization of corporations in the earlier stages of financial embarrassment and failure subject to an efficient application of the law by the courts, the debtor, and the creditor. Time will tell whether the act will be used intelligently and effectively.

The mere fact that a corporation "reorganizes" under 77-B does not mean that the fundamental failure conditions have been corrected. In many cases, "reorganizations" have in reality represented merely financial readjustments and recapitalizations. This is apparent by a study of many of the cases now pending. Often temporary in relief, they merely postpone a final reckoning.

In the meantime, however, credit men must not be misled into a false impression that the credit risk has been definitely improved simply because the "reorganization" has succeeded in "window-dressing" the balance sheets and income accounts. To this end credit men should recognize the fundamentals of

a sound reorganization in contrast to the type of "reorganization" which may be affected under Section 77-B.

A summary of the more important provisions of Section 77-B of the Bankruptcy Act as they effect the creditor's position is presented in Table 1. This table has not been prepared in a manner intended to present the Act's provisions in their most favorable light, but rather in a manner which will serve to point out to the credit man certain aspects which heretofore he may not have fully recognized.

The relative position of debtor and creditor under the new amendment is substantially different from that which existed under the former provisions of the Bankruptcy Act. As for example, should a creditor institute bankruptcy proceedings, the corporate management may apply for relief under 77-B, and thus forestall the creditor's action.

In the past decade, many corporations have been reorganized, with varying degrees of success in the restoration of basic earning power and a sound financial and managerial condition.

Table II presents the fundamentals of a sound reorganization as developed from a study of successful reorganizations in the past. Sound reorganizations have embodied more than a financial readjustment and recapitalization. They have been successful in that they have recognized that financial difficulties are the result of some basic maladjustments, which can only be corrected by a complete and far reaching program of rehabilitation.

A careful study of the fundamentals of a sound reorganization as outlined in Table II, compared with the provisions of Section 77-B in Table I, brings out the limitations of 77-B in so far as its requirements in reorganizations are concerned. These limitations do not exist in that the Act establishes any definite restrictions, but in that 77-B does not require more than a readjustment of the financial condition, and then only to

Table I

The Creditor's position under Section 77-B of the Bankruptcy Act:

1. Bankruptcy, assignments, attachments and foreclosure proceedings may be forestalled through the presentation and acceptance of a petition for relief.
2. Corporations through their managements may file a voluntary petition without admitting the existence of a state of insolvency and bankruptcy.
3. Dissenting minorities are forced to abide by the approval of a two-thirds majority in amount only, possibly impairing the justifiable rights of minority creditors.
4. The debtor usually responsible for the failure may be authorized to continue in possession of the business, thus perpetrating the inefficient management of the past.
5. The debtor corporation may become the final reorganized corporation, thus permitting the possible continuation of the existing state of overcapitalization.
6. Existing debt structures may be continued in amount, although modified with respect to maturity dates, interest rates and payments, sinking fund provisions, etc., resulting in debt deference rather than debt reduction.
7. Defaults, modification of liens, indentures and other instruments may be waived without adequate protection to minority creditors.
8. Responsibility for the appointment of trustees is placed upon the already seriously congested courts, resulting in delay, and possibly in the appointment of receivers and trustees of doubtful ability.
9. Excessive delay and legal expense, arising from a multiplicity of reorganization plans which can be submitted either debtor, stockholders, or creditors.
10. The act is characterized by a general attitude of leniency by designation of the subject as an (unfortunate) "debtor" rather than a "bankrupt."
11. Inadequate provision for the prosecution of fraudulent debtors and their attorneys.
12. Proceedings under 77-B take precedence over proceedings in bankruptcy even though the latter may have been previously instituted.

a point that eliminates the problem of inability to meet *current* payments and maturities.

Whether the readjustment is of a temporary nature, or whether it is concerned with lasting improvement, depends essentially upon those who propose and are concerned with the approval of the reorganization plan. Those concerned with the extension of credit should carefully compare the two tables, for the protection of the creditors position under 77-B has assumed a new aspect. It requires that creditors have a complete knowledge of its provisions, their advantages and disadvantages to them as creditors and an understanding of the procedure under the Act.

Space will not permit of a complete discussion of the two tables. Nevertheless, the position of the credit man and of the creditor is undeniably clear—he must exercise greater care than ever in the analysis of credit risks associated with corporations contemplating action or already operating under 77-B, and even when reorganization has been completed in accordance with its provisions. Not being able to maintain the position of a minority creditor as before, he is *forced to participate in the accepted plan*. The question of whether he will "send good money after bad" depends upon his own interest and ability in the approval of credit risks.

The credit executive's problem is twofold in risks of the "77-B" type. First, he must ascertain the *fundamental causes* of "failure" leading to the application of the debtor for relief under 77-B.

Second, having determined the basic causes, he must then ascertain whether the reorganization plan effectively corrects or intends to overcome the causes which lead to failure.

As to the causes of failure, the credit man must necessarily realize that managements are reluctant to admit their own short comings and are prone to cite excuses for their errors of business judgment. For example in the recent case of a prominent clothing firm, upon the occasion of the filing of a petition, the attorneys for the company stated;

(Name deleted) is the oldest chain of its kind in the United States, and has been in business for upwards of 112 years. The filing of the bankruptcy petition was determined upon after careful consideration and consultation with the creditor's advisory committee, representing upward of 75% of the merchandise obligations of

the company.

Heavy cash drains since last summer and general business condition resulted in leaving the company without adequate working capital, and produced a situation where it became necessary in order to insure all creditors of fair and equal treatment, to initiate the bankruptcy proceedings. It is hoped that this condition can be shortly cured and, in continued co-operation with the creditors, the business may be reorganized on a sound basis."

The credit man may well question the relationship between the fact that "upwards of 75% of the creditor's advisory committee is represented by merchandise obligation," and the lack of working capital and cash. The latter are merely evidences of failure; there is no indication that the actual causes have been admitted.

Therefore, if corrective measures treat solely with replenishing cash, the fundamental troubles will remain. Credit men would do well always to ascertain or locate the real difficulties. Thus they would place themselves in a better position to judge whether reorganization plans provide the necessary correctives and warrant the further extension of new credits.

Finally the credit man may well ask himself the following questions with respect to credit risks under 77-B;—

1. Have fundamental weaknesses in management been corrected?
2. Has cash and working capital position been adequately rehabilitated?
3. Have products, plants, and markets been thoroughly reorganized?
4. Is the new corporation on a sound legal basis?
5. Have overhead expenses, salaries, withdrawals, interest and other charges been realistically dealt with?

Perhaps credit men will call this "Utopia" and impossible of fulfillment—but why not have an ideal in the interest of Progress!

Table II

Fundamentals of a sound reorganization

1. Effective reorganization of management and personnel.
2. Thorough reconstruction of plants and production facilities.
3. Sound rehabilitation of sales, products, and markets.
4. Adequate provision for cash and working capital requirements.
5. Elimination of over-capitalization through:
 - a. Reduction of loans and funded debt in principal amount.
 - b. Reduction in interest and fixed charges to a point consistent with earning power.
 - c. Liquidation of obsolete inventory and frozen receivables.
 - d. Liquidation and/or revaluation of fixed assets based upon sound appraisals of their basic earning power.
6. Adequate reductions in overhead expenses, salaries, withdrawals, taxes, etc.
7. Introduction of a sound financial and managerial sponsorship with a directorate which "really directs."
8. Fair treatment of creditors to insure a continuation of adequate credit to the newly reorganized concern.
9. Complete elimination of liens, judgments, assignments, and other legal entanglements.
10. Effective recovery of goodwill and trade standing.

That "49" spirit is back in California

by L. D. CLARK, Financial Editor, Oakland, Cal., Tribune

C While California, during the last three decades at least, has been noted particularly for its climate, its oranges, its petroleum and its varied fruit and field crops, its early history is inextricably woven in a pattern, and on a foundation, of gold. The disappearance of many of its historic mining camps, in the years since the turn of the century, has been a source of disappointment to the state—not to speak of the economic loss that it entailed.

But the early pattern has returned to a remarkable degree. The magic word is again on the lips of the residents of the state where the lodestone was once the promise of a fortune from the rivers and lodes of its mountains. Mining has enjoyed a recrudescence in California.

In 1934 twenty-five millions was the value officially put upon the gold produced in California. This production constituted 22½ per cent of America's total; and the state easily led all others in the number ounces converted into "new deal" dollars.

Gold mining began to "look up" in 1931. Operations had almost come to a standstill in all but a few of the districts of California during the mad days of the twenties. The reason—

Why mine for gold, when money could be had for the asking on almost anything else?

Why mine for gold, which involves the hardest type of physical labor for the prospector and developer, and the widest kind of gamble for the investor?

Why mine for gold when the profits so rarely approximated the expenditure and when wages and salaries of the gold mining companies suffered in comparison with those paid to bond salesmen and bricklayers?

Between the "high wide and handsome" days of the twenties and 1931,



Mr. Clark is the fourth in the series of outstanding financial editors who are contributing a monthly article to our pages on subjects of their own choosing.

thousands of men were thrown out of work. The worst part of what we know now as the greatest depression in history was coming on apace. There were no jobs. Men turned to anything. In those days the rank and file of the populace still expected to labor—be it at selling bonds or laying bricks. There was no dole or federal gratuity. Thousands went into the mountains of California and other states but those in this state, particularly, saw the remains of what once had been placer and hydraulic workings; they listened to the tales of old residents about the presence of gold-bearing sands in creeks and rivers. After listening, many decided upon a trial with pan and shovel and, strange

as it seems, some were rewarded. Not much, of course, but streaks of dust appeared.

When winter snows and high water drove these modern workers off the bars, many had accumulated a small stake. They returned in 1932 with the first break of the weather. More attempted the work in 1933 and still more sought out the rivers last summer.

But still the capitalist avoided gold mining. Tax exempt bonds, gilt edged stocks and other securities were still available for his surplus funds. He had never gambled with the rock and drill and least of all with the pan and rocker. His hands, in most cases, would not stand the labor.

Gold mining has a bad reputation. It has been said, and by competent observers, that for every dollar taken out of the ground in the history of mining, an equal amount of toil, effort and money has been put into it. The promoter, too, has been known to thrive upon gullible folk who believed in golden colored prospectuses too literally. In fact the promoter of gold stocks is still in the land though it must be acknowledged that his operations are largely circumscribed and in no way reminiscent of mine boom days.

There were men, however, throughout the west who knew mining. Engineers who had been through the Klondyke and Nome; who had fought for a place in the sun of Goldfield and Tonapah and Cripple Creek; and those who knew the Rand and the ores of other far flung properties. There were also the confirmed prospectors who preferred to live for years in hope that another mine-conscious era would burst upon the United States.

There were many mine properties which had closed because the margin of profit was nil. If it came to trading dollars, owners felt they had better de-



vote their energies and, particularly, their capital to other pursuits. The drifts and tunnels, shafts and winzes of hundreds of such workings were allowed to go to ruin. Machinery lay rusting in old mill-houses that gradually disintegrated and allowed the sun and rain to take their toll.

Also there were some operating gold mines and dredger properties in California. Grass Valley, Nevada county, witnessed the sale of the old Empire by its owners to the Newmount Company for \$250,000 and many expressed the fear that the community was headed for mining oblivion. Natomas, leading dredger operator of the state, could hardly make a profit. Argonaut and Kennedy strove against mounting costs and deeper workings to garner a profit.

But costs were declining and wages were more in line with mine requirements. Many operators took heart. Others who saw the trend of the times sought capital with which to develop a new or an old property. Few succeeded, however, for capital was scarce and, where it existed, was content to remain

in more secure investments.

The history of the "New Deal" here enters the picture and, added to the desire of the individual to eke out a living and a stake from the pan and rocker, there came a great flood of capital seeking a place to hide from the terrors of inflation.

Capital could be had for any prospect that was genuine. A property with real prospects had little difficulty in securing financial assistance and operating properties, the country over, immediately became rarely valuable.

The \$35 gold ounce arrived and mining was ensconced once more.

This gradual development from passive decay to a new born drive for gold has been one of the marvels of the day. But the progress in totals, the increased figures do not tell the whole story of the conditions; at least not for California.

Perhaps the most important element in the revival of gold mining interest in California is the effect on the individual who has followed it with the aid of a pan, a rocker and a shovel in an effort to stay off the bread-line or the dole or

the public works crew.

There are thousands of men and women in California who are now living on the results of five months work of last summer fighting the sand and gravel for color. There are few streams in the state, at least in the northern part of it, that have not provided a living for hundreds in this way.

They come and they go. Rarely are they bothered by property owners whose lands abut the rivers along which these men and women work. They are called "snipers" by the mining man. The Yubas, the various arms of the American, the several forks of the Trinity, the rivers that drain the Southern Mother Lode country, and the mighty Klamath and its tributaries form the main bases of operations.

Those who are most ingenious and energetic generally fare the best in this as well as other work. The luck of the miner only occurs with sufficient rarity to encourage all. That nugget of value is always in the next shovel.

The total of gold that these snipers take out of the gravel is very large. It represents a definite addition to the economic welfare of the state and nation because it removes many from the charity rolls and rescues gold that would otherwise not be available for either a monetary base or in the arts. Capital will not bother with this type of mining. It would not pay. It is an individual's, and only an individual's, occupation.

The Empire Star mine, at Grass Valley, leads the state in gold production. It is the only property to produce over 100,000 ounces of gold during the year. After the Empire, Natomas, Yuba Consolidated Gold Fields (both dredging operators), Idaho Maryland Mines, another Grass Valley lode property, Capital Dredging Company, the Argonaut, of Jackson, Carson Hill Gold Mining Company, The Original Sixteen to One, of Nevada county, and the Kennedy, also of Jackson, (Cont. on p. 34)



Contrast the "man and mule" means above with the "model T" transportation at the Silver Queen (right). The lure of quick wealth remains, but no "49er" had such facilities as trackage (at the left).



Pittsburgh: city of steel

by GEORGE H. SNYDER, Business Editor, Pittsburgh Sun-Telegraph

Mention of iron and steel always brings the thought of Pittsburgh. Steel is the heart and soul of Pittsburgh but it is only a part of its great industrial system. The city's products range from the glass in your window, to the cement on your walk, to the giant electric generator that lights your house and back to the diminutive in one of Mr. Heinz's 57 varieties on your table for dinner.

Few persons can go through a day without using something made in Pittsburgh.

A man gets up in the morning. If he slept in a metal bed the steel may have been rolled in Pittsburgh. He

closes a window of glass from Pittsburgh. He goes to the cellar and shovels coal from Pittsburgh into the furnace. Of course, Pittsburgh probably had something to do with the shovel, the furnace, the pipes and the radiators.

He goes to breakfast. His tomato juice may have been packed in Pittsburgh. If the tomato juice came from a can, the tin plate may have been produced in the city.

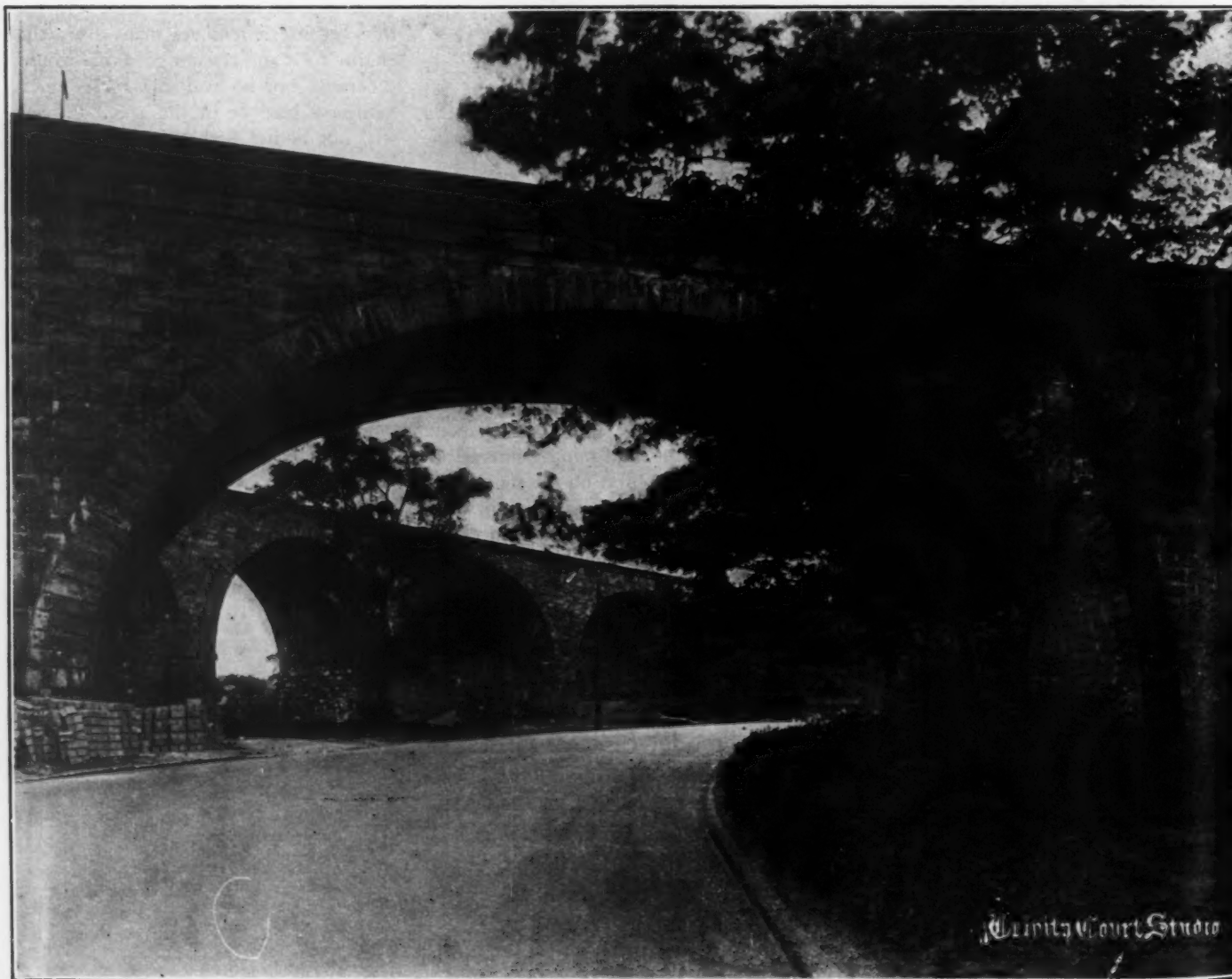
He gets in his car and it is quite certain that Pittsburgh had something to do with the metal or aluminum

parts or with the glass. He drives on a street, quite likely paved with Pittsburgh cement.

Pittsburgh undoubtedly had something to do with the electrical system put into use when he turns on the lights in his office. He may sit down on an aluminum chair from Pittsburgh and open a drawer of a desk made of steel from Pittsburgh.

By this time it is only nine o'clock. Many of the products mentioned may have been made in other industrial centers but it is quite certain that Pittsburgh played a part in some of them. The list could be extended to the point of boredom through the rest of the day.

Scene along Washington Boulevard





There must have been a reason why this city, cramped by mills, overcame its difficult but picturesque topography and became the industrial giant that it is.

Perhaps the best explanation has been given in "Pennsylvania—A History" edited by George P. Donehoo, formerly secretary of the Pennsylvania Historical Commission and State Librarian. The statement refers to Pennsylvania but it is particularly apt in reference to Pittsburgh. The history says:

"It took coal and oil and iron and Quaker and Scotch-Irish and German all mixed up together in the great melting pot of history to make Pennsylvania. There has been coal and oil and iron in Asia, but no Pennsylvania has been produced there. Coal and oil and iron and Chinaman and Russian and Turk do not produce the same results as did these minerals up in Pennsylvania with Quaker and Scotch-Irish and German and all of the other human element which were thrown together here."

It was Pittsburgh's natural wealth together with the geographical advantage of its location at the point where the Allegheny and Monongahela Rivers join to form the Ohio.

An abundance of coal was the basis for the great development of the iron industry and later of the steel in Pittsburgh. The early iron makers used charcoal but the development of the bee hive coke oven saved the situation when the wood supply became short. In recent years the by-product coke oven has displaced the wasteful bee hive oven and this has added to Pittsburgh's products.

Coke is obtained by driving off the volatile parts of coal leaving only carbon and a small amount of impurities.

The old bee hive oven burned the volatile products. The by-product oven recovers them in the form of tar, ammonium sulphate, benzol and a great variety of other coal distillates which are refined to produce dyes, perfumes and other products. In recent years unbreakable tumblers and plates have appeared on the market. These are a coal product, probably from Pittsburgh's by-product ovens. Carnegie Steel Company has the largest by-product coke plant in the world at Clairton, only a few miles from Pittsburgh.

The by-product coke oven also produces a combustible gas which provides the fuel for many of the operations required to turn pig iron into finished steel products.

Such scattered deposits of iron ore as existed near Pittsburgh were exhausted in the early days. Now Great Lakes steamers bring ore from northern Michigan to ports on Lake Erie. Railroad cars bring the red dust to Pittsburgh and they go back with coal to be loaded on the Lake vessels for shipment to the Northwest.

Limestone, the other great necessity for iron production, is found in great abundance near Pittsburgh. Limestone forms the slag which carries off the impurities in pig iron production. The slag is the principal material for the production of cement.

While there is still much coal, almost within the city limits of Pittsburgh, most of the fuel for the steel industry is brought from mines on the Monongahela River by barge to the plants which are spread along the banks of the industrial area's three great rivers.

The same river system provides a means of transportation for finished steel products to the West and Southwest. With the completion of the canalization of the Ohio River a few years ago, year round transportation became possible. The rivers rarely freeze in winter and a series of dams maintains sufficient depth for navigation in the slack water period in summer. The rivers carry more tonnage than the Panama Canal.

The rivers always have played an important part in Pittsburgh's development.

When George Washington as a young man in 1753 first saw the point where the rivers join to form the Ohio he picked it as the ideal site for a fort to control the natural gateway to the West. He later was engaged in a series of military campaigns in the struggle with the French for this little point of land which now is the apex of Pittsburgh's

"Golden Triangle." On the outcome of this struggle depended the answer to the question:

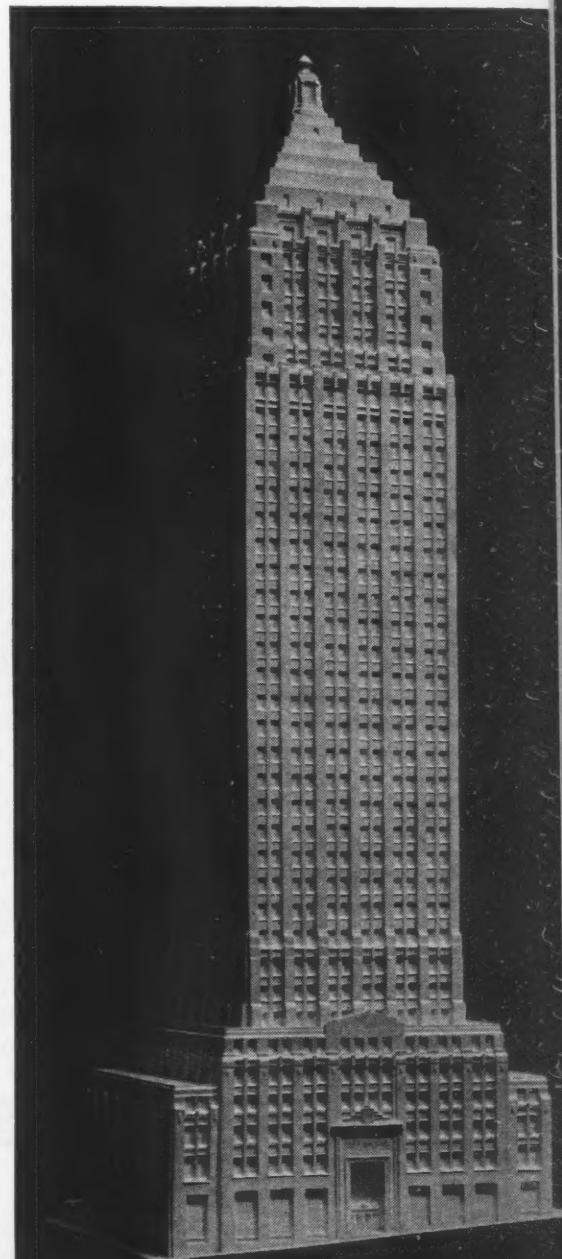
"Would the Ohio Valley and the headwaters of the Mississippi be French or English?"

Had the outcome been different, Pittsburgh might be a French city today.

The rivers were responsible for the fact that Pittsburgh was closer to New Orleans in its early commercial history than it was to Philadelphia. Until the coming of canals and railroads, the Allegheny Mountains formed an almost impassable barrier while the rivers provided an open avenue of commerce.

Through flatboats and the rivers, Pittsburgh supplied much of the West and Southwest with its necessities of life in the early days of our history. Flatboats were built in the city. They were loaded with coal or other products and were floated down (*Cont. on page 39*)

The Gulf Building



Credit Congress of Industry plans

by PHILIP J. GRAY, Director, Credit Congress Day at Pittsburgh Convention

OF More than usual interest is evident in the preparations for the Fifth Credit Congress of Industry which is scheduled for Tuesday, June the 18th the second day of the 40th Annual Convention of the National Association of Credit Men at Pittsburgh, June 17th to 21st.

Nearly forty Credit Groups are already organizing their meetings for the Pittsburgh Credit Congress Day and a partial list of those already planned appears on this page, while the following brief reports on present activities in some of the groups are indicative of the enthusiasm with which all are looking forward to the Fifth Credit Congress of Industry.

The Bankers Group. With the able assistance of Alexander Wall, Secretary of the Robert Morris Associates, a fine program is in prospect and the customary large Congress attendance is assured for Pittsburgh.

Coal Group. A regular "home coming reunion" of the Coal folk is planned for Pittsburgh and they hope to set a high water mark with attendance and programmed discussions.

Distillers Division. L. D. Duncan of National Distiller Products Corporation, New York City, Chairman, reports a very worth-while session in preparation and while attendance will be small he expects all of the outstanding Distillers to be represented.

Drugs, Confections and Tobacco Wholesalers Group. Vern Everitt of McKesson Potts Drug Company, Wichita, is going strong on this Group's plans and will have a full day's work laid out for all who attend this meeting.

National Food and Allied Products Manufacturers. Chairman Frank Wheat of Federal Match Sales Corporation an-

ticipates a fine turnout and a profitable day of discussion.

Hardware Manufacturers. National Director Paul Fielden of the Norton Company, Worcester, has this Group's program well planned and a worthwhile session is assured, with improved attendance over other years indicated.

Insurance Group. Don C. Campbell of Fidelity Fire Insurance Company, Chicago, reports he has enough discussions scheduled to keep his confreres overtime on Congress Day.

Newspaper Group. Chairman V. D. Stuart of the Oakland Tribune, Oakland, California, has a "Big Forty" Committee working with him on this job and a fine attendance is anticipated.

Stationery, School and Office Equipment and Supply Manufacturers. Indefatigable R. Guy Echols of the American Crayon Company, Sandusky, made a flying start on his Group's meeting at the beginning of the year and a very interesting program is already well developed.

Similar activity is taking place in all the other Groups and well before Convention time fully developed programs will be arranged for all Group meetings scheduled.

What is behind all this organizational activity? Why are forty men working with four hundred other men to set up programs for all these Group Meetings at the Fifth Credit Congress of Industry? Profit is, of course, the obvious motive, for Group activity fosters better credit administration which in turn reduces Delinquent Accounts Receivable and Bad Debt Losses and assures maximum returns from the liquidations of insolvencies and all these loss eliminations spell Profit.

But there is an altruistic and more so-



Kopper's Building

cial aspect of this activity. It is safe to say that these men labor more to give than to receive—to broadcast to their colleagues all the progressive developments they themselves have discovered and to make sure that helpful counsel and advice from every source is made available to all their fellow Credit Executives.

Co-operation within their own Industry and co-ordination with and between all Industries is their objective and while Profit will flow back to them from that development it still holds true that their contributions to the benefit of all far exceed any particular recompense they themselves may receive.

The Fifth Credit Congress of Industry will represent a real cross-section of business and industry. Each delegate will find a Group Meeting that will hold absorbing interest for him—in which he can meet his business associates, discuss with them the perplexing problems confronting all—learn much of value to him and to his company and perhaps add something to the benefit of those attending the meeting with him.

Plan on Pittsburgh and the Credit Congress of Industry and your business session with your associates. Congress Day alone will repay you well and justify your Convention time and expense.

Group Meetings scheduled for the Fifth Credit Congress of Industry
Alcoholic Beverages
Automotive Supply Wholesalers
Bankers

(Cont. on p. 41)

Can we help you in Washington D. C.?

An introductory outline of our
new Washington Service Bureau

Within the last few years Washington has definitely assumed a different position in the minds and affairs of American business men. Until the depression began the average business man turned his thoughts to the nation's capital only when his income tax presented its perennial problems, when important national legislation affecting business was pending or when a local matter required Congressional attention.

True, he may have maintained an intelligent interest in general legislative and administrative developments but only infrequently did Washington assume a vital place in his personal interests.

Today the situation is completely altered. What happens in Washington may be, and often is a recurring problem of dollars and cents to most business men. The record crowds of business visitors to Washington and the deluge of inquiries which flood both governmental and private organizations there are the best evidence of the extent to which American business realizes the pervasive and important influence of the "New Washington".

Washington is still chuckling over a letter received recently in a governmental agency from a bewildered Mexican whose efforts to operate a small business enterprise in the southwest had been somewhat complicated by the requirements of one of the emergency recovery laws.

Having exhausted the resources of his own ingenuity in his contacts with local representatives of the recovery agency, he in desperation addressed a letter which read somewhat as follows (personal allusions have been deleted) to the cabinet member in Washington who was in charge of the recovery agency in question:

"Dear honorable Secretary . . . I want

by **CHARLES F. BALDWIN**
Bureau Manager

In this brief article Mr. Baldwin outlines the general objectives and scope of the Washington Service Bureau. In the next issue of "Credit and Financial Management" he will discuss the question of government purchases and furnish advice to firms interested in expanding their government business.

some inform about how do business under the law. I see Mr. "A" head of your office in He tell me see Mr. "B" of your office in who tell me see Mr. "C" in who tell me see Mr. "A" again. Now I ask you. Who in h..l you tell me see. Thank you very much."

The element of humor in this plaintive appeal does not obscure the fact that the plight of the poor Mexican shopkeeper is often shared today by business men, large and small who find the complexities of the Washington administrative set-up a source of annoyance and frequently of expense. In many respects, administrative Washington was an uncharted wilderness to the uninitiated even before the creation of the many recovery agencies. With their arrival the existing difficulties have been multiplied and the need for a guide through the labyrinth of paths which constitute Washington officialdom is greater than ever before.

The announcement by Executive Manager Heimann, in his March 15 let-

ter to members, of the inauguration of a Washington Service Bureau by the National Association of Credit Men, introduces a new plan to provide direct, prompt and interested service to association members in connection with certain of their interests at Washington.

The plan is based upon recognition of the growing need of business men for such assistance and on the belief that the availability of the service will result in definite savings in time and money by members. The potential value of the new service may be easily determined by each member by considering the extent of his company's interest in Washington.

Does the company bid on government contracts? Is it interested in impending legislation dealing with matters of credit, finance, bankruptcy and related subjects?

If it is owed money by the government on account of sales made would it be interested in having the status of such accounts followed by someone on the ground in Washington?

Is it uncertain at times regarding procedure in handling matters with Washington? Are there occasions when it would like to have personal contact made in Washington with one or more government officials concerning an important matter?

Would it like advice at times regarding the availability of official information, reports, etc., on subjects in which it is interested; or information regarding administrative and policy changes which might have an effect on its business?

If any branch of your company is or may be interested in any of the above subjects or others which lie within the proper scope of activities of the National Association of (Cont. on page 37)

CREDIT and FINANCIAL MANAGEMENT APRIL, 1935

A threat and a promise!

The promise:

E The promise under Industry Credit Service is a very disheartening one for Creditors. Consider the managing of an involved account. Imagine each Industry which sells a given customer adopting its own policy under such conditions. One favors a policy of leniency, another advocates drastic treatment. One centers all of its claims with a certain individual or organization and urges immediate collection, while another Industry agrees to allow a reasonable period of time for the customer to rehabilitate himself financially. Is it not obvious that the same results will accrue as though each individual Creditor were working alone?

Consider the developments in the event of bankruptcy—as many representatives of Creditors as there are Industries selling the account, each one in its own way struggling for what he believes the best interests of his Industry. Can you imagine a more fertile field for the development of the various "Rackets" which have too often characterized the managing of bankruptcies in the past?

If this cooperation on Credit within an Industry meets with even small success what will be the effect on the exchange of credit information? There will be an immediate restriction in the amount of information available to Creditors not only in that but in every Industry.

Poor information, not poor judgment, causes most credit losses. Incomplete information is one of the worst types of poor information, often more harmful than no information at all.

The consequence, therefore, will be an immediate increase in Bad Debt Losses for not only one Industry but for all Industries because each will be suffering under the same handicaps and limitations. Business will again experience the same difficulties encountered when the exchange of ledger experience information had progressed only to the direct inquiry stage. No Creditor will have anything more than a fragmentary part of the story. It will be harvest time for credit crooks who have always reaped their biggest profits in those Industries in which cooperation has been largely destroyed because of the attempt



Let's look at this big problem from two angles!

to maintain within those Industries numerous exchanges of information wholly separate from one another.

In the last analysis, the cost of credit information will have been increased rather than reduced, for, while there may be no direct charge made for the service rendered in this fashion, it, nevertheless, remains that there will be duplications of effort, and some one will have to pay the cost of all that effort. Consequently there will be duplication in costs and the Creditors will pay those costs.

Some idea of that duplication and that cost and the complications generally that a breakdown of Credits by Industry would involve may be gained by a study of the Creditors of a Department Store. One glance at their inventory—Radios, Groceries, Confections, Jewelry, Stationery, Cosmetics, Soaps, Tobacco, Books, Clothing, Shoes—articles made of aluminum, brass, copper, iron, steel, celluloid, rubber, tin, bakelite, wood, glass, clay, wool, silk, cotton, leather, canvas, etc., tells us that the Creditors of those retail outlets represent, let us say, a minimum of twenty Industries.

Now the Creditor in the Boot and Shoe field must, if he wants a correct and representative picture of that Debtor's status, look to his trade organization for the information of his trade associates selling shoes to that account,

and then go to nineteen other Industry Credit Bureaus to learn what experience their members had with the Debtor. There's duplication with a vengeance! Calculate what such a procedure would cost American Business!

The burden thrown upon certain Business Houses by reason of the tremendous duplication of requests for information received by them from numerous organizations will be so great that, as in the case of the direct inquiry, many will unquestionably recognize its futility and refuse to participate in any way whatsoever, and as a consequence decline to supply their ledger experience information to any organization.

Finally, the statement is often heard today that certain people in an Industry need no other information than that which is developed within their Industry. That statement certainly should be given most careful thought. Upon examination it will be found that in the majority of instances this Industry information is used almost entirely as a support to the general conclusions or recommendations of outside organizations.

When control of ledger experience information will have passed from the hands of its owners into the hands of private individuals, and when the realization of the faults of Industry exchanges is evident, Creditors in all lines will then be confronted (Cont. on p. 42)

Industry credit service:

by A. P. BRIGHAM, General Credit Manager, Pet Milk Sales Corp., St. Louis

The threat:

Creditor cooperation is business has not been achieved over-night. It has come after years of struggle against short-sighted, ruthless individualism—against the creed, "Every one for himself, and the devil take the hindmost!" Creditor cooperation, hard-won step-by-step over a rough but straight road, is now confronted by the obstacle of the so-called Industry Credit Service, a more formidable threat to progress than rugged individualism.

Today there is a definite trend toward the segregation of credit problems in separate industry groups. This trend is toward the management of Credit through trade associations, code authorities and similar bodies which can deal effectively with manufacturing, distributing and selling problems, but which cannot control credit problems because rarely if ever does a single Industry control all of the flow of credit through any given business outlet of our country.

So far, with few exceptions, this trend toward Industry credit management has not developed to a great extent. But the signs are already apparent. It is time that careful thought be given to the ultimate results of such a development.

First, let us try to see what is behind this activity. It would be extremely difficult to determine all of the factors involved. Underlying all of them are the fallacy that a single industry can have full knowledge of the status of a customer's trade debts and how he is paying his bills, and the fallacy that a single industry is sufficient to determine what course of action is to be taken with a customer whose affairs become involved.

One factor that is quite apparent is the belief of some creditors that any Trade Association to which they belong could or should be able to render credit services of any value (particularly an exchange of ledger experience information) for its members along with other Association activities without additional expense. Because of that mistaken view,

"Devil take the hindmost"

And the hindmost up to a few years ago were all of the Creditors—except the ones who were first *that* time. Not so many years ago Creditor cooperation of any kind was nonexistent. Each Creditor played a lone hand, operating as best he could with what scraps of Credit information he could beg, borrow or steal, under the assumption that it was unwise and unprofitable for two Credit men to discuss their business with each other.

When a customer failed, it was every man for himself, and the first man grabbed everything in sight while the rest got nothing. Perhaps the very maximum of "Individualism" was reached by the Creditors of the old days.

Through long stages a realization of the terrific loss and terrific cost of this lone wolf operation was finally born and an appreciation of the value of cooperation to Creditors individually as well as collectively finally dawned upon the business world.

Today that realization and that appreciation carefully nurtured and fostered for years have developed into a nationwide cooperation among Creditors in every Industry and in every line of business . . . a cooperation that, given time, will pay immeasurable dividends to business . . . a cooperation that has already reduced our bad debt loss to the still-too-high figure of a half of a billion dollars a year, and that will substantially reduce that loss if that cooperation is continued.

Now all of this achievement is threatened and unless that threat is removed an experience will be repeated that has already cost manufacturers, wholesalers, jobbing and financial interests billions of dollars annually.

Credit Services are sometimes forced upon Trade Associations and Code Authorities by members of an industry.

In the last analysis and excepting the fact that the Industry Credit Service will result in competition by Industries rather than by individuals, will not the

same results accrue as were experienced when cooperation was unknown in credit?

For the answer let us see what will be the result so far as credit information is concerned. Each Industry will be limited strictly to the information contained within itself. It will not be possible for very many Industries to develop even complete Industry information for the reason that Business Houses, particularly in the wholesale and jobbing lines, already hold memberships in many Associations, and Industry Credit Services would involve their participation in the activities of a great number of other Associations.

They would be obligated to join an Association for every major classification of merchandise in their catalogs. To expect them to do so is, of course, an absurdity with the result that in certain lines, representing small parts of their business, this information would be entirely lost. When it is lost the way is left open for the customer to do the very thing the Trade Association would seek to prevent—namely, to control his purchases within the Industry.

The number of specialty shops in all lines of business has been materially reduced during the past five years; one might almost say to the point of non-existence. The manufacturer of radios is also making refrigerators. He sells a part of his radios to retail furniture outlets which also handle refrigerators but whose total purchases in these two items are minor as compared with their purchases of furniture. The radio and refrigerator manufacturer finds it necessary to join two trade associations to cover his products. But after he has done so, he exchanges information with others in those Industries with full knowledge of the fact that the total indebtedness represented in either of them is only a drop in the bucket as compared with the total indebtedness of many of the accounts on his books, and he is always confronted with the fact that Bankruptcy Courts accord no special consideration to particular Industries or markets; that Creditors in still other Industries with information unknown to him (unless he joins all of those Associations, too) may be filing a petition in Bankruptcy (Cont. on p. 42)

Jokers in the balance sheet

The revolutionary changes in business and financial conditions caused by the unprecedented depression through which we have been passing make it more important than ever that everyone having any responsibility for either the preparation or the certification of balance sheets of business concerns give consideration to the effect of present-day conditions on the various items appearing in such balanced sheets.

The effect of present business conditions on receivables, both notes and accounts, is to make the possibility or probability of losses thereon greater than a few years ago. Consequently credits must be more carefully watched than ever, and past experience as to ratio of bad debt losses to amounts of sales or outstanding receivables cannot be blindly relied upon in determining reserves for bad debt losses or in determining whether or not the amounts of reserves accumulated by setting up currently a percentage of sales are adequate to provide for the probable losses on the receivables shown in the balance sheet of a given date.

In the course of time the rule of "cost or market, whichever is lower," for which the public accounting profession consistently contended in season and out of season, and at a time when many business men did not agree with the rule, has become generally accepted with regard to inventories, materials, goods in process, and finished product by the banker, the manufacturer, the merchant and the taxing official. It is a rule of conservatism and safety rather than of logic.

Logically, by the same token that inventories are written down to provide against potential losses not yet actually sustained but threatened by a fall of market prices below cost, it could be argued that inventories should be written up to recognize potential profits therein not yet actually realized but promised by a rise of market prices above cost. Long experience, however, has taught that the only course of safety is that of providing against threatened losses but of not counting chickens until they are actually hatched.

The time tested principle of "cost or market, whichever is lower," is on the whole still the best to follow. But question has from time to time been

C. P. A. gives some observations on such important subjects as "cost or market, whichever is lower," "last in, first out," plant and security valuations," "lower depreciation reserves," etc.

By WALTER A. STAUB
President, New York State
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Accountants

raised which cost is to be applied to the goods sold and which cost is to be applied to the goods remaining on hand. Shall it be on the basis of "first in, first out;" or "last in, first out;" or "average of the beginning inventory cost plus subsequent purchase or production cost" (on a weighted average basis)?

This question has been receiving renewed consideration because it is of greatest importance in periods when a radical change in the price level occurs (whether up or down) as during the depression period. When the price movement is upward, as during the World War, the use of the "first in, first out" costing of sales tends to show large profits because of selling at mounting prices goods purchased at the lower price level, although if the concern is to remain in business it must immediately replace the sold goods with others purchased at prevailing higher prices.

The effect is that the valuation of the inventory is at the highest recent cost, and the profits shown on goods sold have to a large extent not been realized in the sense that they are available for distribution, but they have had to be re-invested in large part in maintaining a stock of goods no larger in quantity than that previously carried for a much smaller investment. When the inevitable drop in the price level occurs, large losses on inventory values are shown in

adjusting to "cost or market, whichever is lower."

In 1920 many concerns showed inventory losses which offset to a considerable extent the large profits apparently earned during the war period. Similarly, large inventory losses due to the tremendous drop in prices during the present depression have in the case of many companies absorbed profits shown during the boom of the twenties when a high cost was being developed for the inventory.

The question has been raised whether, assuming a starting inventory at a low enough level, so that prices would hardly drop below it excepting under catastrophic conditions, the use of the formula of "last in, first out" in costing goods sold would not result in a truer picture of actual profit. The argument can be made that there is a closer relation between the prices of goods last purchased and of the goods currently sold than between the earliest purchases of goods on hand and of the goods currently sold.

In the case of industries or concerns the inventories of which are ordinarily very large in relation to other assets—as, for example, the oil industry where large quantities of crude oil may be carried in stock continuously—the "last in, first out" method of costing sales has a tendency to minimize the extremes of profits and losses. The profits shown in periods of rising prices would tend to be less than by using the formula of "first in, first out," and correspondingly in periods of falling prices such losses as might be shown in reducing inventories to lower market prices would not be as great as would otherwise have to be taken.

It is to be noted that the formula of "cost or market, whichever is lower" would still govern the valuation of the inventory and would correct the tendency which might otherwise develop in a period of falling prices for the inventory to remain at a higher price level than the current prices at which sales would be costed.

The "last in, first out" formula is being given study by an inventory methods committee in one of the large industries of the country at the present time. Any method which will tend to minimize the profits shown in periods of rising prices which are not actually

Cash vs. confidence

by L. F. GIELISH, Credit Manager
Bourk-Donaldson-Taylor, Inc., Denver

Credit managers and firms have resorted to various methods in an effort to reduce their accounts receivable for the past three years.

We all know that financial reverses with the retail merchants and also many wholesale firms have resulted in the curtailment of credit extension. Many found unemployment and a slack in business, due to declining prices, effected accounts receivable to a large extent, and in many instances, a heavy loss was taken; to say nothing of the failures caused by too much on the books.

Early in 1931, we found ourselves with large accounts and our retail customers unable to pay in substantial amounts which would be of benefit. The problem had to be solved, and after analyzing the situation very carefully, we decided only one course was open which would keep our customers paying regularly, but still would continue buying and maintain their good will.

We found that even small amounts applied on old balances were far better to accept than to close the account and try to force the issue. We segregated our accounts and took each one which was in arrears over thirty days, and closed it out by an instalment note.

Payments were made from \$2.00 to \$20.00 per week depending on the ability of the customer to pay. When this note was submitted to our trade not one refused to sign it. Payments came in regularly and their current statement was paid at the end of each week, which, of course, included the note payment.

The acceptance of notes mentioned in the foregoing kept us from taking anything in the form of a demand around 90 to 120 days. Doing this would have allowed the customer additional time on psychological effect. The account was being liquidated without any noticeable hardship on the customer, and at the same time, a considerable dispute was eliminated on the open account which often arises when the account is taken

into court.

The notes carried the legal rate of interest which was usually paid without comment.

Comparatively a small number defaulted, but eventually regained their financial standing sufficiently to make up the deficit. At the end of 1933 practically all of our accounts were running normally. This method resulted in more business, more money, and yet retained our customers' good will.

When an account was placed on a C.O.D. basis, with an old balance owing, we immediately made an agreement, which, if the customer would continue buying and permit us to add a small amount on each invoice to apply on his balance, would eventually clean up the old account.

It was necessary at times to make payments as low as 25¢, and sometimes as high as \$5.00. This depended entirely on the amount owing and the customer's circumstances. We now have some customers who have paid out their accounts with this plan, which at one time were as high as \$500.00.

Had we adopted more stringent methods, it would have only resulted in the loss of business, to say nothing of judgments which probably would be lying in safes in various courts and city halls.

In order to make our plan a success it was imperative to have the cooperation of all our salesmen. To give them an inducement for watching their collections and to pick up these small payments we changed from a straight commission on sales to a 50-50 proposition on both sales and collections.

In some extreme cases, a larger percentage was allowed on collections than on sales where a salesman found it necessary to drive out of his way, or to extract small payments from an execution proof debtor.

We believed by having our salesmen work on such a basis, that they were more familiar with the customer and

would go over the ground each week, whereas, exclusive collectors would not cover the territory oftener than thirty or sixty days.

We all know some weeks are better from a selling standpoint, and some for collecting. This gave them an advantage to make up the slack week either way.

When our accounts were brought in line, and having a considerable amount of the old money realized, our salesmen were willing to go back on their original basis.

It must be borne in mind that the Credit Department cannot be successful and keep losses down if there is no cooperation or harmony between that Department and the Sales Department. Both of these Departments must have confidence in each other and work hand in hand.

We watch the paying records of our customers closely through Interchange Reports. The moment a distress signal begins to show up, the salesman is called in, cautioned, and told to sell and collect closely; or if the customer is owing a large balance that he should collect more than he sells each time.

In no instance did we have a salesman go against the wishes of our Credit Department. To reciprocate, assistance was given to the salesman in every way possible in helping to obtain new business, or increase his old.

When a reciprocal report making an inquiry came in on a customer we did not have on our ledgers, he was checked, and if found satisfactory a letter was written from the Credit Department as an introduction purpose. This later was followed up by the salesman. In the event this did not obtain results, several follow-ups were written inviting the new customer to open an account, also that his financial statement was very favorable, and that we would like to have his business.

We also have found in solving credit problems that sound judgment, new ideas and personal contact with the customer is absolutely necessary, and that harsh treatment or sarcasm must be left out entirely. Some customers have tried our patience and have imposed upon us to a certain extent, but under the most trying circumstances they were always treated with every courtesy.

The explanation set forth may not work in every kind of business, but with us results have been very satisfactory. We intend to apply them for some time to come in order to elevate the standard of sound, stable, and permanent credit policies.

available for distribution, because of the need for retaining at least a material portion of such profits in the business as added working capital and thus subjecting it to a business hazard which becomes greater the higher the price level rises, is worthy of careful consideration.

If such a cost formula or method were generally adopted in an industry, it would be desirable to show as a memorandum on the balance sheet the current replacement market value for the inventory. This would assist in giving a full understanding of the situation to those extending credit to a given concern, or to those who wish to make an intelligent comparison of the financial position of various companies in the same industry the inventories of which companies may be carried at different costs. Even under the present more general use of the "first in, first out" cost formula, the supplementing of the valuation at which the inventory is carried in the balance sheet by a memorandum of the approximate replacement market value thereof would be informing.

The average cost method of carrying or valuing the inventory may be said to be intermediate between the "first in, first out" and "last in, first out" methods. It is probably less used now than was at one time the case, though it is still the method generally used in at least one of the major industries of the country.

An inventory method which has somewhat the same end in view as the "last in, first out" cost formula is the base stock method. It has the virtue of conservatism, both from a balance sheet point of view (assuming of course that the base price, which remains unchanged, is set sufficiently low at the inception of the use of the method) and from the point of view of the earnings shown during an era of rising prices.

The leading exponent of this method in this country is the National Lead Company which has clearly explained the method in its annual reports. Another of the prominent industrials of the country, the International Harvester Company, used the method for a few years at the close of the World War period but discontinued when the United States Treasury refused to accept the method for income tax purposes. The refusal of the taxing authorities in both the United States and Great Britain to accept the base stock method for valuing inventories has discouraged a more general use of it by

industrial companies.

One other point in the valuation of inventories which requires especial consideration in the depression period is that only normal overhead should be included in inventory value. Under present conditions with greatly reduced output the actual overhead ordinarily exceeds a normal rate of overhead.

The tremendous decline in security prices makes careful scrutiny of the figures at which investments are carried of especial importance. The rules to be followed are quite well established and may be summarized as follows:

(1) *Marketable securities*—If quoted prices thereof are below cost, they should be either (a) written down; or (b) a reserve set up for the difference; or (c) a notation made of the quoted value on the balance sheet. "Quoted value" may, especially under present conditions, be a more exact term than "market value."

(2) *Not-readily-marketable investments*—(a) If no market value can be ascertained, they may be carried at cost, with that fact being clearly disclosed; or (b) if the actual value is known to be considerably lower than cost, and not merely a temporary fluctuation, they should be written down to such value; or (c) a notation made of the quoted value on the balance sheet.

Concerning plant and other fixed property accounts, we may first remind ourselves of the accounting conventions which underlie property "values" as ordinarily stated in balance sheets of industrial concerns. They do not purport to represent present market value of the property, or to give any indication of what might be realized if the concern went into bankruptcy, or for other reasons had to liquidate, and its plant and other fixed properties were to be sold either at forced sale or after extended negotiations.

The underlying principle for the stating of property items in the balance sheet is primarily that of accounting for the investment therein—that is, carrying such property at cost, less allowances (a) for depletion because of exhaustion through removal of the contents, as in the case of mines, oil wells, forests, etc., and (b) for depreciation of property because of its use in the business and/or of expiration in part of the expected useful life of the property—and only under special circumstances attempting to indicate the probable realizable value of the property, or even what it would probably cost to replace it.

Exceptions to the foregoing general

rule are, among others, such cases as, (a) when property no longer required for the operation of the business is to be disposed of as soon as possible, and it is segregated from the active plant property and written down to estimated realizable value, and (b) when it is desired to give effect in the books and financial statements to a marked change in price level or other factors which have caused present value to be substantially different from the undepreciated balance of the cost thereof.

For example, a mining property bought in an undeveloped or even unexplored state may have proven to contain valuable mineral deposits and its present value consequently be far in excess of the relatively small amount paid for the property. Again, land may have greatly increased in value since its acquisition for the use of the business, though it should be observed that when such value is predicated on a use for a purpose which would necessitate the removal of the plant from such land, the prospective loss on buildings and equipment is an offset against the profit accrued on the land and only the net amount should be recognized in making any adjustment of the cost at which the plant has therefore appeared on the books.

During the decade intervening between the close of the World War and the stock market crash of 1929 adjustments of book values of plant property were principally upward, the revisions representing the excess of appraisal valuations (which valuations were most often based, in the case of buildings and equipment, on estimated replacement cost less depreciation) over the original cost less depreciation theretofore allowed for.

Following the catastrophic fall in the price level which occurred during the early years of the depression, the question was raised among both bankers and industrialists whether the values at which plant assets were being carried on the books of the corporations owning them should not be revised downward to accord with the new price level. From the views expressed on this question, it is evident that the cause of the question was not so much because high values in balance sheets might possibly mislead the readers, but rather the thought that reduced property values would justify lower depreciation allowances and consequently the income account would show a better net result than if depreciation allowances were continued at the high costs at which the plant assets had been acquired prior to the depression.

This reason for revising the book values of plants naturally caused accountants to give careful consideration to the related question of whether shareholders might possibly be misled by statements of net income which were based on charging operations of the business with depreciation allowances computed not on the original cost of property but only on the portion thereof based by the level to which such values fell in the depression period.

The writer reached the conclusion, which it is believed also represented the general consensus of opinion among accountants, that in principle there was no objection to adjusting the plant accounts downwards, even though it did result in lower depreciation allowances thereafter, that it represented in effect a recapitalization or a reorganization of the financial status of the company in the light of radically changed business conditions, and that one could not expect a business to recover through its operations depreciation allowances on a higher basis than the current price level to which selling prices of the products of the business are related. Among the discussions which appeared in print on this subject was a presentation by the writer under the title of "The Disposition in the Accounts of Abnormal Losses" at a meeting of the New York State Society of Certified Public Accountants, which formed the basis of an article appearing in the January, 1933 issue of the quarterly bulletin of the Society.

This discussion of the writing down of plant values was most active during 1931 and 1932 and at the end of 1931, particularly, quite a number of large companies made important adjustments of this character in their accounts. Those adjustments which were made in 1931 and 1932 were predicated on the assumption that the price level which had obtained over a decade following the close of the war had been abnormal and that, although there might be some rise in the level to which prices had fallen during the depression, experiences in periods following other wars indicated that we had at last reached a more nearly normal price level.

With the advent of the Roosevelt administration, however, and the talk of inflation and the administration's effort to force the price level upward, including the devaluation of the dollar, and the effects which may still be realized therefrom, it obviously became inadvisable to continue the adjustment of property values because of the fall in the price level. Hence, the consideration of the subject at this particular

time is largely academic.

It has been touched on, however, to indicate how changing business conditions do exert an influence on the balance sheet and why at the present time the balance sheets of a number of large and prominent business corporations do not have their property accounts included in the balance sheet on the conventional basis of cost less depreciation.

It is always important to make certain that expenditures charged to proper-



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ty accounts do in fact represent additions to or improvement of the property and that in no sense could they be considered maintenance or operating expenses, and similarly, that adequate allowances are being made currently for depletion and depreciation. In times of financial stress and strain and greatly reduced industrial output with correspondingly unfavorable reaction on the operating results, it is especially important to see that charges to the property account are legitimate and that depletion and depreciation allowances are not being reduced merely to better the operating showing.

In view of greatly reduced output during the depression, a number of manufacturing concerns have reduced their depreciation allowances on the theory that a lesser use of the plant caused a lesser depreciation. Under some circumstances this may be the case, though it is not to be overlooked that the allowances for depreciation made on straight line basis are frequently at rates which

in fact make some allowance for what may be called normal obsolescence (as distinguished from extraordinary obsolescence) in addition to provision for physical exhaustion.

In other words, the estimates of the probable useful life of plant assets are based not merely on either the minimum or maximum expected physical life but also give some consideration to probable retirement or displacement at an earlier date because of developments in the art or because of maintenance and repair costs becoming too high in the later years of the physical life of machinery. Experience indicates that this obsolescence factor has some relation to time, though there are of course other elements involved than that. This is an argument for continuing depreciation allowances on the same basis (where the straight-line method is used) through a period of reduced production as during the time when the plant is used to reasonably full capacity. In any event, it is desirable to disclose clearly in the financial statements any substantial modification of the depreciation allowances because of reduced output.

A development of the last several years, though presumably not caused by the depression, which should have at least passing mention, is the question of retirement reserve versus depreciation reserve in the case of public utilities. For more than a decade, public utility commissions in many states have permitted corporations subject to their jurisdiction to charge operations with allowances for plant retirements rather than with allowances for depreciation computed on the straight line (or analogous) method.

At one time many public utility corporations made no depreciation allowances, or even so-called retirement allowances—just as prior to the incidence of income and war profits taxes, many industrial corporations either made no depreciation allowances or computed them on an inadequate basis—but in more recent years probably a majority of public utility corporations have been making allowances on the so-called retirement basis.

Some public utility corporations, however, have continuously used the straight line basis, the most prominent example being the American Telephone & Telegraph Company and the operating companies of the Bell Telephone system.

Insure profits in 1935 with
Credit Interchange Reports

CREDIT and FINANCIAL MANAGEMENT APRIL, 1935

Credit foundations on sand



by D. C. CAMPBELL,
Chairman, Insurance Committee,
Chicago A. C. M.

is a basic defect which leaves the business credit built on a foundation of sand—and QUICKSAND at that!

Many credit men have overlooked this source of loss and the necessity of proper insurance protection. The recent insurance survey conducted by the National Association of Credit Men showed that only 30% of the credit men reporting required fire insurance protection of their accounts! Were the others gambling, or what?

Furthermore, only 10% required windstorm insurance and other coverages were requested by only 4%. Now, windstorm insurance is comparatively inexpensive except in certain tornado districts but windstorms may hit anywhere and cause severe destruction. The nature of the business determines what other kinds of insurance coverage are necessary to protect the account.

The credit man, if he has no personal idea of his account, must use his imagination and visualize the coverages that are necessary to protect his customer from the common casualties that are causing bankruptcies.

Absolutely essential is sufficient fire insurance on stock and fixtures in sound companies. Insurance should be carried as close to value as possible, particularly where co-insurance is applicable. The necessity for adequate fire insurance was demonstrated in Spencer, Iowa in 1932. A boy in a drugstore accidentally set off a stock of fire-works, resulting in a conflagration that destroyed most of the town. One Chicago wholesaler lost substantially in the accounts of three customers who did not carry adequate insurance. This loss was further aggravated by the fact that none of the three were able to resume business—a loss of good potential business.

Individuals in business and partnerships are very susceptible to business ruination from automobile liability judgments. From the survey of New Jersey bankruptcies conducted jointly by the Department of Commerce and Yale University, the striking fact is brought

out that ONE OUT OF EVERY TWENTY-FIVE BANKRUPTCIES was due to lack of or insufficient liability insurance.

The average individual thinks public liability insurance premiums on his automobile or truck are too high for him to carry. Or, if he does have public liability coverage, he carries the minimum \$5,000-10,000 policy. It has been conclusively demonstrated that these limits are grossly inadequate. The value of a life in some states is limited to \$10,000 by statutory enactment. In these states an automobile accident resulting in death is not covered by a \$5,000-10,000 policy. It is only covered to the extent of \$5,000 leaving \$5,000 to be paid by the insured.

On the other hand, if an accident results in the crippling of an individual, there is no limit to the judgment that can be recovered. Juries have been very prone to return large judgments in cases of this kind. A number of recent judgments run between \$30,000 and \$85,000. Where an injured party is paralyzed or hopelessly incapacitated it is customary to capitalize his expected earnings for the estimated span of existence and add whatever a sympathetic jury regards as necessary for pain and suffering incurred. Findings are generally greater where dependency is large.

The proportionate increase in premium for higher limits of liability coverage is so relatively small that a credit man need have no hesitancy in advising, if not REQUIRING, his customer to carry higher limits on his own and company vehicles.

One often hears the statement, "I am a careful driver. I have not had a serious accident in ten years of driving. I do not see the necessity for carrying insurance." All this may be true. But there are other factors that a person of this kind has not experienced, and against which all the foregoing statements avail him naught.

For example, a Chicago business man was driving on one of Chicago's boulevards in his costly sedan. From his right, absolutely ignoring a boulevard stop sign, a small car containing five persons dashed onto the boulevard and collided with the large sedan. The officer on the corner immediately offered to arrest the owner of the small car for

Quicksand! Not a pleasant thought. Did you know that a Chicago loop office building, erected many years ago, was later found to be unsafe due to quicksand in the ground under the substructure? Fortunately, wall cracks led to the discovery of this condition before any serious damage to life or property was done and today the varying demands of the shifting sands beneath this building are met by a series of enormous jacks that furnish necessary support where and when needed.

What happens when there is quicksand in the foundation of Credit? Can we jack up our credit structure and be safe? No, when quicksand is discovered in an account which was originally investigated only on the surface, it is too late! Its effect is sudden and disastrous, often leaving a partially or wholly wrecked structure unfit for further use.

The credit of a business is built on the girders of Current and Fixed Assets, Turnover, Goodwill and Business Ability; but the rock-bottom foundation of the well-built business credit must be the elimination of gambling on the unexpected but very possible serious loss, by means of adequate and sufficient insurance protection in sound companies.

The absence or insufficiency of adequate fire insurance, liability coverage, windstorm insurance, surety bonds, use and occupancy insurance, workmen's compensation, in fact the lack of any type of insurance protection necessary to insure a going business against the unexpected event which may drain it of the working capital which is its life blood,

violating a city ordinance and causing the collision. The small car owner admitted his error and begged the owner of the sedan not to have him arrested, protesting that he was a poor man and would pay for the damage done in installments, if given a chance. The sedan owner sympathetically acceded.

Before the week was out he was subpoenaed in five suits, one by the owner of the small car, claiming extraordinary damage to his car, and personal injuries to himself, and a separate personal injury suit by each of the other occupants of the car, the suits aggregating over \$70,000.

The good and careful driver cannot avoid the accidents that are "the other man's fault" and he is certainly at the mercy of any "frame" the other man can successfully put across. It can be safely said that the annual premium on a \$50,000-100,000 policy would not cover the cost of investigating and preparing for suit in the average accident.

Again, in some states a child under seven years of age is not regarded capable of contributory negligence. This means that regardless of whether the accident was absolutely unavoidable on the driver's part he can be regarded as responsible and assessable in damages to the extent of the jury's desire.

Property damage is another coverage that is regarded as not so essential. The cases wherein pleasure cars or trucks have done substantial damage are numerous. They are not so impressive, because they are not seen collectively.

Consider the case of a large truck and trailer, slightly overloaded, and having no brake connection with the trailer. This truck and trailer were descending a steep hill in the East, when due to lack of sufficient braking power from the overload, the truck went careening down the hill. It first met a passenger car which it crashed into the ditch. Next, a large truck was crashed and given similar treatment. Another passenger car was wrecked and the runaway finally crashed thru a frame house, setting it on fire and the truck itself was demolished in the flames. What was the extent of the damage?

The owners of the two passenger cars as well as the occupants and the owner of the truck that was crashed and its driver all have suits for property damage and personal injuries against the offending truck owner. The fire insurance companies or the owner of the house have a suit against the offending truck owner. Besides he has lost his truck and its contents, and possibly has a workman's compensation claim from his own driver. The property damage in such

case would not be covered by the minimum \$5,000 property damage policy. Higher limit is necessary.

Where a merchant owns a building, a general liability insurance policy is essential. In one of the Dakotas a well-to-do merchant owned a nice department store, occupying his own building. He did not carry general liability insurance. A hitch-hiker, an uninvited guest, leaned against a railing on a stair-case on the side of the building. The railing gave

injury in the course of his work. In the majority of states it is customary to hold that in the event an employer is not covered by workman's compensation insurance, he is liable for occupational injuries under the common law. This likewise leaves the employer at the mercy of the jury with no limit set on damages recoverable.

The cost of all necessary insurance for a going business should be included in the COST OF DOING BUSINESS.

INSURANCE STATEMENT	
OR	
70	
(Form adopted and recommended by National Association of Credit Men)	
This statement is submitted to you to supplement our Financial and Property Statements in order that you may accurately judge my (our) insurance coverage for the purpose of extending credit accommodation.	
1. If a partnership, do you carry Business Life Insurance? _____ How much? _____	
Does this insurance also provide accident protection? _____	
2. Is the treasurer bonded, and for how much? _____	
3. Do you carry Fidelity Bonds or Dishonesty Insurance? _____ State whether Individual, Scheduled or Blanket.	
4. If automobiles are used in your business, are they covered by Liability Insurance? _____	
5. If a store, is General Liability Insurance carried? _____	
6. Are the elevators insured for Public Liability? _____	
7. What are the values of the property, and how much Fire Insurance is carried? _____	
Property values \$ _____ Insurance carried \$ _____	
What co-insurance is on the Fire Insurance policies? _____	
List companies with which you carry insurance _____	
8. Is Business Interruption Insurance carried? _____	
9. If there is a lease, is the leasehold interest insured? _____	
Is the rental income insured for loss by fire? _____	
10. Is building sprinklered? _____ Name system _____	
If building is sprinklered, and stock susceptible to water damage, is Sprinkler Leakage Insurance carried? _____	
11. If oil heater or gas on premises, is Explosion Insurance carried? _____	
12. Are goods in transit insured? _____	
13. Are you protected by Check Alteration and Forgery Insurance? _____	
Is Burglary and Hold-Up Insurance carried? _____	
14. When were your various insurance policies last examined or gone over by an insurance expert? _____	
15. What other insurance do you carry? _____	
The foregoing statement has been carefully read by the undersigned (both the printed and written matter), and is in all respects complete, accurate and truthful. It discloses to you the true state of my (our) insurance coverage on the _____ day of 19____. Since that time there has been no material unfavorable change in my (our) insurance coverage; and if any such change takes place I (we) will give you notice. Until such notice is given, you are to regard this as a continuing statement.	
Address _____	Town _____ State _____
Dated at _____	this _____ day of _____
Business engaged in _____	
(Name of Firm or Corporation) _____	
Signed by _____	

way and he was precipitated to the ground. The jury considered \$37,000 a fair judgment. The merchant lost his his business, his building, and is now said to be living in a one room apartment in dire circumstances.

Liability suits are more numerous than ever before. In many cases the advantage of having personal friends of the injured as the only witnesses, are dominant. Unscrupulous persons are ever alert to take full advantage of any occasion to file damage suits. Often the stage is set and the unwary individual is caught, without witnesses, like a mouse in a trap.

Workman's compensation insurance is generally an essential cover to all types of manufacturing businesses, repair shops, gas and oil stations, in fact any business where the employee is open to

By their usual good cooperation the credit men of the country *can require* all their customers whose accounts represent substantial sums, to carry adequate insurance in those lines necessary for the preservation of the assets of the business from casualties. The banker requires adequate insurance protecting collateral, so does the building and loan company. Paper eligible for rediscount in the Federal Reserve Banks must be accompanied by the policy.

The credit man is dealing with hard cash equivalent when he appraises credit just the same as the banker, and he is entitled to as good collateral protection.

Use the insurance statement of the National Association of Credit Men and then demand your collateral protection where your good judgment tells you it is necessary.



OLD "HEE-HAW"

What's a Zebra?

Well, Mr. Credit Manager, until I drove out to the West Coast last summer, I thought the Zebra was a native of Africa. To my surprise, I discovered that there is a hybrid variety of this animal that roams up and down the West Coast, raisin' particular—among the apathetic and peace-loving native credit men.

They have brought so much attention to the Pacific Coast Associations that the wide-awake fellows out there are putting the Middle West and the East to shame, when it comes to having live associations.

These wild mavericks just naturally kick over the traces, when things get to be too dull, and I'm inclined to think that this is the reason that every association of the West Coast is stepping right along.

These playful animals just enjoy life, and out at Los Angeles they were the "entire party" when it came to entertaining the Long Faced Easterners.

Ed Budke became so infatuated with the slick—well formed—capricious animals that he captured one and has it held in captivity, ready to spring on the local members at an early date.

The Grand Zebretary owns the home ranch at San Francisco, but every once in a while a fine zebra will break out of the home corral and later establish a new "herd," wherever he can find sufficient pasture to feed his followers.

Out there on the coast each "herd" is known as a ROYAL ORDER OF ZEBRAS, each with its own Zebretary, and Ed. tells me that each "herd" has its own "ZEBRATUTION AND HEE-HAWS"—manual and secret ritual.

I tried to find out something about the origin of this sleek animal, and was told that it was sired by a San Francisco GO-GETTER and dammed by the LO CALASSO CIATION. Unlike Ignatius Donnelly's mule, this hybrid has some pride in ancestry and a hope for posterity.

If Ed's captive should get loose and roam around the local range, we can look for a fine "herd" in a local corral in a short time.

As told to St. Paul's eligibles by T. E. Reynolds

ON The Royal Order of Zebras, or what some of those more humorously inclined might term the Royal Order of Striped Quadrupeds, was started by several associations in the Western Division in the early part of 1928.

It began as an activity of a local as-

A.B.C. of the R.O.Z.

If you're not in stripes, you're not in fashion. Zebra Herds are growing in many local associations. Are you a "Zebe"? Is there a Herd in your city?

sociation of credit men—a wheel within a wheel, so to speak. A need was felt for an organization of this kind in order to appeal to those men who took the membership work of the association seriously and to those men who were anxious to see their organizations grow in numerical strength, in order that they might become more valuable associations to service the wholesalers, manufacturers, bankers and jobbers in the respective territories.

Hence, it was agreed that any member who secured two or three new members for the association in any one year, depending upon the size of that association and the field available for prospective members, would be entitled to membership in the Royal Order of Zebras. Until the member is duly initiated and put through the ceremony particularly adapted to an initiate, he is known as a Lowly Mule.

A problem presents itself where an association is so small and its possibility of prospective members so limited that a man would have difficulty in qualifying for membership in the Royal Order of Zebras by securing two or

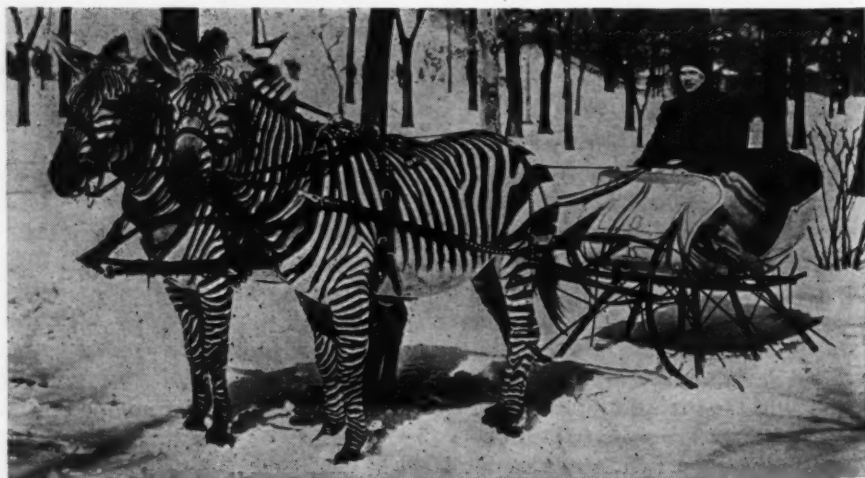
three members. As a result of that problem, it is possible for smaller associations to qualify a man to become a Zebra by his having placed with the association's collection department a certain number of collection claims over a period of a year, his participation in all adjustment cases, his attendance at regular monthly meetings, and his participation in credit group activities, all of which might total a certain number of points previously agreed upon.

It is possible for the smaller associations to have the total number of points equal to the acquisition of one membership. In short, the Zebra organization is for those men who are association minded, work for the upbuilding of the organization and participation in all of its service departments. The Utopia would be to have every member of every association a member of the Royal Order of Zebras.

The Zebra organization is a secret body and therefore the contents of its Secret Ritual and the "Zebrotation and Hew Haws" cannot be publicly disclosed.

The symbolic colors of the Zebras

☐ Here's a couple of St. Louis zebras but don't ask the local Herd to identify 'em. They're not members. They're owned by a St. Louis dairy company.



are of course black and white. This color scheme can be worked out splendidly with all ceremonial stunts, together with general meetings of the Herds, whether in ordinary business clothes or full dress.

The whole organization set up of the Zebras is striking and impressive, and there is rarely an instance of the men, who became Zebras, retiring from the organization. In almost every instance, the associations which have had Herds of Zebras are not only at the top rung of the membership ladder, but have also developed an enviable "esprit d' corps" in their membership, which is the natural result of close personal association and working together.

Up to the Los Angeles Convention, Zebra Herds had been established in the last seven years in Los Angeles, Portland, San Francisco, Tacoma. Those who attended the National Convention in Los Angeles will vividly recall the prominence of the Los Angeles Herds at that Convention.

This close contact with the Los Angeles Herd marked the beginning point of the Royal Order developing from western to a national organization. Many delegations returning from Los Angeles Convention were impressed with not only the membership value in this organization, but the building of close, pleasant personal contacts. Therefore, since June, 1934, the Royal Order of Zebras has become a wheel within the national wheel, and it is nationwide in scope now, with the national head known as the Grand Exalted Super-Zeb, who at present is A. D. Johnson of Los Angeles, California. The Supreme Herders are the national body governing the activities and secretaried by Grand Zebrataries Owen S. Dibbern and Brace Bennitt.

The development since June, 1934, has included the establishment of Herds at Memphis, Newark, Cleveland, Chicago, Pittsburgh, Detroit, St. Paul and at the present writing, consideration is being given to establishment of Herds at Louisville and Philadelphia. It is significant to note that those associations which have only recently established Herds are already showing the results of this organization.

Those associations interested in developing closer fraternal contacts, kindling a greater membership interest in their organizations and increasing their numerical strength can do no better than give consideration to organizing a



Your "finger on the pulse" is a Credit Interchange Report



Action shot of a Zebra producing and distributing a "hee-haw". And the same to you!

Herd of the Royal Order of Zebras.

Further details can be secured from either Grand Zebratary Owen S. Dibbern of the Western Division office of the N.A.C.M. in San Francisco, or Brace Bennitt of the New York office of the N.A.C.M.

"Round-up"

The 1935 "Round-Up" of Oakland's Zebras and Zebra prospects was held at the home of Secretary Ken Thomson in the middle of February. There were nineteen present, only three of whom had paid their 1935 dues by bringing in a new member for the current year. Consequently, there was a scramble on the part of all hands to examine the prospect lists and get material so that they could go out and earn their dues by bringing in a new member before the next Round-Up at the end of March.

After the serious part of the meeting was over, cards were drawn out of a hat. All those who drew white cards

were signed up as "Whites," and all those who drew black cards were signed "Blacks." Which ever team gets in the most members by the next meeting will have the pleasure of conferring the initiation upon the mules of the opposing team.

A number of adult games were set up and the Zebras moved around in pairs, rotating every ten minutes, so that keen competition was kept up during the evening. Refreshments were served in an appropriately decorated room at eleven o'clock and at twelve the corral gates were opened and the crowd went home.

Further report on the competition between the "Whites" and the "Blacks" in Oakland will be forthcoming shortly.



Prepare for PITTSBURGH!

40th Annual N. A. C. M. Convention
and Fifth Credit Congress of
Industry—June 17 to 21

CREDIT and FINANCIAL MANAGEMENT APRIL, 1935

The business thermometer:

Department of Commerce charts

1923-25=100

Steel trade: Mid-March index in the general iron and steel industry was not particularly encouraging, except possibly in the structural steel division. Iron Age reports that lettings of structural steel during the second week in March totalled 45,800 tons, the largest total for any week since May 1933. Ingot output declined in the mid-March report to 47 percent of capacity. This is as much as a two points fall within a month. "Iron Age" summary of the situation is as follows: "Without doubt a spirit of caution, when it becomes pronounced enough, affects consumption as well as the volume of buying. Thus far the automobile industry, principal steel consumer, has not pared down its ambitious production program for March and April, but it is increasingly apparent that retail demand will react to the numerous political and industrial disturbances of the day."

Automobile sales: Those who "view with alarm" some of the indices of trade, "point with pride" when they turn to the automobile sales records. The two larger producers of small cars still have on hand a large number of unfilled orders. This stream of orders continues, especially from the agricultural areas. The peak of sales in the auto trade generally comes about the end of April. General Motors reports that the average daily wholesale sales to its dealers rose in February 45 per-cent as compared with a normal seasonal gain of 35 per-cent. That the retail sales stood on an even keel with this record is indicated by the further General Motors report that sale by dealers rose in February to about 69 per-cent as compared with a normal seasonal increase of 35.4 percent.

Freight car loadings: The March 15th report on freight loadings showed another advance over the first of the month figures. The Annalist's index on freight now stands at the highest figure since March 1934 and with the exception of the February-March bulge of '34, the index is now at the highest

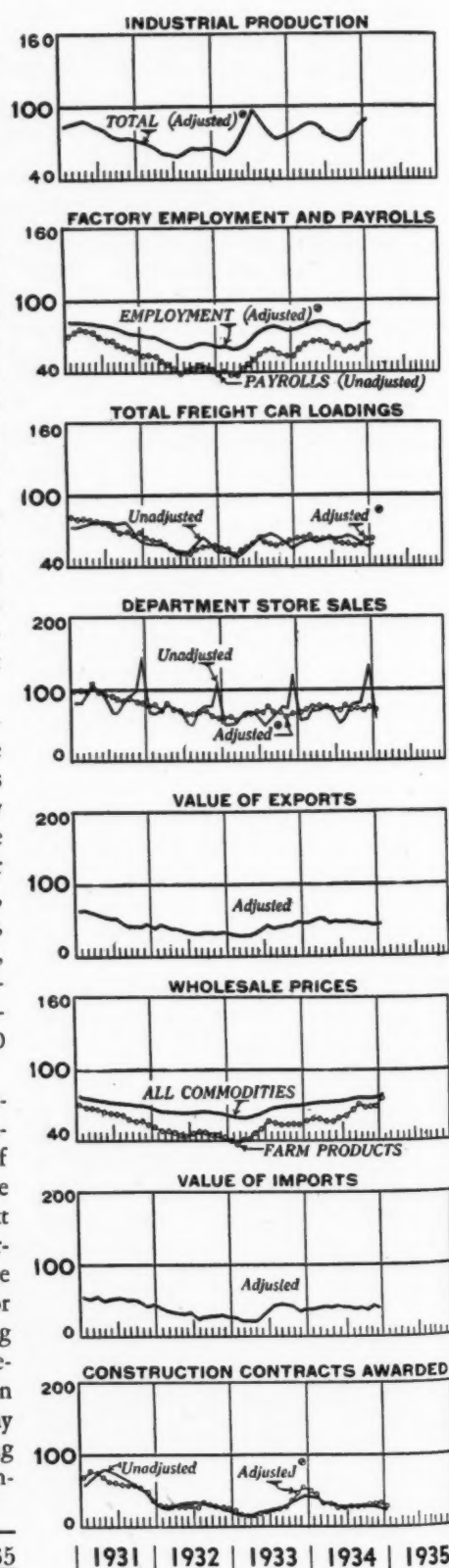
point since the December 1931 figure. Automobile shipments and miscellaneous freight figure in this increase. One of the retarding influences on car loading totals is found in the decline on live stock shipments, which are now down to the lowest mark in the post-war period.

Income tax collections rise: Guy T. Helvering, commissioner of internal revenue reported at Washington that the collections on income taxes during the first half of March was the largest since the start of the depression period. In this connection it is interesting to note that New York accounted for more than one quarter of the total collections. The states next in order were Pennsylvania, Illinois, California and Ohio.

Wholesale price index: Commissioner Lubin of the Bureau of Labor Statistics, Department of Labor reports that the wholesale price index on March 2 was 33.5 percent above last year. He indicates how this increase comes about in the following figures:

"When compared with the corresponding week of 1933, which was the low point, all of the commodity groups are higher. Farm products are up by 97 percent; foods, 54½ percent; textile products, 37 percent; hides and leather products, 28 percent; building materials, 21 percent; miscellaneous commodities, 17 percent; fuel and lighting materials, 15 percent; chemicals and drugs, 14 percent; housefurnishing goods, 13 percent; and metals and metal products, 10 percent."

Building prospects brighter: The active selling season in the building material field opens in April. Makers of materials used in home construction are looking with especial hope to the next few months. Residential building permits as reported by the F. W. Dodge Company were 14 percent higher for February than for the corresponding month in '34. Many observers are predicting a greater rise in percentage when the March figures are totalled. Many also predict that sales for remodelling work will total larger than for new construction.



CREDIT and FINANCIAL MANAGEMENT APRIL, 1935

Score sheet of collection and sales conditions

State	City	Collections	Sales	State	City	Collections	Sales
Ala.	Birmingham	Fair	Fair	N. Y.	Albany	Fair	Fair
Ariz.	Phoenix	Good	Good		Binghamton	Fair	Fair
Ark.	Little Rock	Fair	Fair		Buffalo	Fair	Fair
Calif.	Oakland	Good	Good		Elmira	Fair	Fair
	San Diego	Good	Good		Jamestown	Slow	Fair
	San Francisco	Fair	Fair		New York	Fair	Fair
Colo.	Denver	Fair	Fair		Rochester	Fair	Fair
	Pueblo	Fair	Fair		Syracuse	Fair	Fair
Conn.	Bridgeport	Good	Good	N. C.	Charlotte	Fair	Slow
	Hartford	Fair	Fair	N. D.	Fargo	Good	Good
D. C.	Washington	Fair	Good		Grand Forks	Fair	Good
Fla.	Jacksonville	Fair	Fair	Ohio	Columbus	Good	Fair
	Tampa	Slow	Fair		Dayton	Fair	Fair
Ga.	Atlanta	Fair	Fair		Toledo	Fair	Slow
Idaho	Lewiston	Fair	Fair		Youngstown	Fair	Fair
Ill.	Chicago	Good	Fair	Okla.	Oklahoma City	Slow	Fair
	Peoria	Good	Good		Tulsa	Fair	Slow
Ind.	Evansville	Fair	Fair	Pa.	Allentown	Slow	Slow
	Fort Wayne	Fair	Slow		Altoona	Slow	Slow
	Indianapolis	Good	Good		Harrisburg	Slow	Fair
	South Bend	Good	Good		Johnstown	Fair	Fair
	Terra Haute	Good	Good		Uniontown	Slow	Fair
Iowa	Burlington	Fair	Fair	R. I.	Providence	Slow	Slow
	Cedar Rapids	Slow	Fair	S. D.	Sioux Falls	Fair	Fair
	Davenport	Fair	Fair	Tenn.	Chattanooga	Fair	Fair
	Des Moines	Slow	Slow		Knoxville	Good	Good
	Ottumwa	Fair	Fair		Memphis	Good	Good
	Sioux City	Fair	Fair	Tex.	Austin	Good	Good
	Waterloo	Good	Good		Dallas	Fair	Fair
Kan.	Wichita	Slow	Slow		El Paso	Fair	Slow
Ky.	Louisville	Good	Fair		Houston	Fair	Fair
La.	New Orleans	Fair	Fair	Utah	Salt Lake City	Fair	Fair
	Shreveport	Fair	Fair	Va.	Bristol	Good	Good
Md.	Baltimore	Fair	Fair		Lynchburg	Fair	Fair
Mass.	Boston	Fair	Fair		Norfolk	Good	Fair
Mich.	Detroit	Good	Good		Richmond	Good	Good
	Flint	Good	Fair		Roanoke	Good	Good
	Grand Rapids	Good	Good	Wash.	Bellingham	Fair	Fair
	Jackson	Fair	Fair		Seattle	Fair	Fair
Minn.	Duluth	Fair	Fair		Spokane	Fair	Fair
	Minneapolis	Good	Fair		Tacoma	Fair	Fair
	St. Paul	Good	Fair	W. Va.	Bluefield	Fair	Fair
Mo.	Kansas City	Slow	Slow		Charleston	Fair	Fair
	St. Joseph	Fair	Fair		Clarksburg	Fair	Fair
	St. Louis	Fair	Fair		Parkersburg	Fair	Fair
Mont.	Billings	Fair	Fair		Wheeling	Fair	Fair
	Great Falls	Fair	Fair	Wis.	Fon du Lac	Fair	Good
	Helena	Good	Good		Green Bay	Fair	Fair
Neb.	Omaha	Fair	Fair		Malwaukee	Fair	Fair
N. J.	Newark	Fair	Fair		Oshkosh	Fair	Fair
	Trenton	Fair	Fair	Hawaii	Honolulu	Fair	Fair

Collection and sales comments:

Birmingham, Alabama, reports steel activity has started to show some effect on sales and collections. . . . Denver indicates after holiday slump in sales is just now giving way to activity. . . . More than half of members reporting on Bridgeport, Conn., survey indicate both sales and collections as good. . . . Jacksonville, Fla., indicates sales and collections slowing up a bit as resort season nears end. . . . Terre Haute says: "Business picking up rapidly. If unsettled labor conditions are solved, look for great improvement. . . . Waterloo, Ia., indicates good gain over same period last year. . . . Wichita indicates drop in collections and sale since January. . . . Manufactures in Springfield, Mass., area optimistic over business prospect. . . . Automobile sales continue to increase business expectancy in Detroit area. . . .

Charlotte, N. C., reports decline in sales compared with previous month and same period of 1934. . . . Fargo, N. D., says sales continue to show improve-

ment; about 5% in February. . . . Jamestown, N. Y., says manufacturing operations are good but retail business slightly less. . . . Buffalo's bureau of business research indicates a boost of the ratio of overdue to outstanding accounts by 3.1 percent. As compared with last year, however, the ratio is considerably lower on March 1. . . . Oklahoma City report great need of rain. . . . Labor trouble is affecting conditions in Dallas textile market. . . . Salt Lake City indicates collections not quite as good as January and a little slowing down in sales. Honolulu reports that collections must be pushed vigorously and that sales are slower. Seventy percent of those reporting on the Baltimore survey indicated better sales than for a year ago. About the same proportion indicated improvement in collections, also Boston reports gain in both sales and collections.

Summary

This month:

Collections:

Good 30
Fair 71
Slow 14

Sales:

Good 17
Fair 78
Slow 12

Last month:

Collections:

Good 23
Fair 66
Slow 10

Sales:

Good 20
Fair 73
Slow 6

This month's collection letter:

Submitted for the approval of our readers by

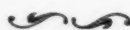
P. M. HAIGHT, Treasurer, International General Electric
Co., N. Y. and Vice President, N. A. C. M.

Dear Sir:

Our idea of a reminder is that it should be short, it should be friendly, and it should be successful.

This letter is short, it is friendly, its success rests with YOU.

Yours faithfully,



Dear Sir,

Quitel

1st April net.

Yours faithfully,

C Only rarely are we privileged to present a sample of a representative, successful collection letter which has been written by someone in credit and collection work in another country. This month we are able to do just that. Not only can we present the letter, but we have also been favored with one of the thirty-six answers received to that letter.

The letter and the answer reproduced above (names deleted by request) are sent to us by Mr. P. M. Haight, Treasurer of the International General Electric Company, New York. They came to his desk and he considered them interesting enough to forward them to us.

In connection with the submission of these, he understands that thirty-six of the collection letters were forwarded, that thirty-five checks were received in reply, and that the answer which we reprint is the answer to the thirty-sixth letter.

CREDIT & FINANCIAL MANAGEMENT is desirous of receiving successful collection letters from its readers. One of these is published each month on this page. The letters submitted may be of any type; the one important requirement being that they have proven successful in actual credit department operations. Letters that approach the problem of collections from a serious viewpoint or

others that have produced results through a lighter touch are equally eligible. Stunt letters, of course, have their limitations in collection work. Usually, the best way to establish a successful contact with a serious-minded and very busy business man is to talk to him in the same tone in which you can expect to find him most of the time. However, there are occasions when a lighter touch does more than a serious manner.

Complementary to your collection letter efforts, there should be reliance on Credit Interchange reports. With Credit Interchange reports before you on each of your accounts, you will attain maximum effectiveness in using the collection letters presented here in this monthly feature.

CREDIT and FINANCIAL MANAGEMENT APRIL, 1935

Burroughs



CIPHERS PRINT AUTOMATICALLY

There is no cipher
key on a Burroughs.

FEWER KEY STROKES



Two or more keys can be depressed at a
single stroke.

INSTANT TOTALS



To take a total, depress the total key. At this single motion
the machine operates and prints the total.

SIMPLE SUBTRACTION



To subtract, touch the "minus" bar. To add, touch the "plus"
bar. Subtraction is as fast as addition.

This Burroughs Adding Machine has many new, improved features that make figuring faster, easier, more accurate. It eliminates many needless motions. It provides many operating short-cuts POSSIBLE ONLY on the standard visible keyboard. It is also typically Burroughs in workmanship, quality and long life. For a demonstration or descriptive folder, call or write the local Burroughs office.

BURROUGHS ADDING MACHINE COMPANY
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Accounting, Billing and Calculating Machines
Typewriters • Cash Registers • Posture Chairs • Supplies

When writing to advertisers please mention Credit & Financial Management



Paging the new books



Reviews of the important books on business, to aid executives whose reading hours are limited.

This month's business book

INFLATION AHEAD! By W. M. Kiplinger and Frederick Shelton. Simon and Schuster, N. Y. \$1.00.

As a subtitle, this book carries the line, "What to do about it," the "it" being inflation. Thereupon, the authors proceed to carry out the purpose expressed in their subtitle in the same terse, straight-from-the-shoulder style that is familiar to those who subscribe to the well-known Kiplinger Washington Letter.

The forty-two page booklet, page size being the same as this magazine, is divided into three parts—background, prospects, suggestions on what to do. That inflation is certain to come, the authors state without reservation. They expect 1936 to show first real signs and the five year period thereafter to see growing prosperity or inflation, call it what you will.

Unconcerned in this book with inflation's rightness or wrongness, they then develop letters (the entire booklet being a series of letters) to explain what can be expected in such various fields of business and financial activity as commodities, real estate, stocks and bonds, taxes, and business volume. Finally, the Messrs. Kiplinger and Shel-

ton come to their third section in which they give concrete, practical tips on what to do.

You cannot, of course, expect them to handle your affairs in this short book or give you every tip possible. They are the trainers of the boxer in their present role. Soon the bout starts. From their training tips they hope to give you enough boxing sense to allow you to punch or duck—but they can't do the fighting for you.

In their role of intelligent, practical "handlers," they have done a good job. One dollar invested here can be as fine an option on your future financial stability as you could make.

—P. H.

Labor's viewpoint

LABOR, INDUSTRY AND GOVERNMENT. By Matthew Woll. D. Appleton-Century Co., New York. \$2.00.

The fact that its author is one of the vice-presidents of the American Federation of Labor, and one of its spokesmen, adds much importance to this book. Many will consider it as the official statement of the principles and aims of this organization. Although there is no indication in the book itself that it is to be regarded as such, the views expressed in it can be considered as the official expression of most of the leaders of the A. F. of L., and a good section of its membership.

Mr. Woll does give a good account of the accomplishments, the traditional economic and political policies and aims of the A. F. of L., and the principles on which these are based. The policies and aims are restated in the light of the present situation, which includes the relation of labor to the New Deal program as a whole, and to the tactics of the NRA in particular; and also such developments as fascism and Marxism. The account would have been complete if Mr. Woll had been objective enough to try to evaluate the importance of those elements in his organization which want to abandon the traditional policies and to adopt others which they regard as more progressive and modern. But as a whole, the book gives a picture of the present situation in this important American institution which is quite complete.

—E. G. P.

Among those present:

ECONOMIC PROBLEMS OF THE NEW DEAL. By W. E. Atkins, A. A. Friedrich, and Viola Wyckoff. F. S. Crofts & Co., N. Y. \$.60

This is a fine analysis of the problems which faced the country at the start of the "New Deal" and what it did to solve them. Terse in its presentation, it covers the subjects of taxation, government control of railroads, industrial monopoly, farm surpluses, labor conflict, monetary manipulation, consumers' interests and several others. An admirable review that presents the backward glance so essential to the forward look—and all for the price of an ordinary movie! Worth getting.


BALANCES OF PAYMENTS. Prepared by the League of Nations. Available in the U. S. A. through the World Peace Foundation, Boston, Mass. \$1.50.

This volume covers the year 1933 and includes an analysis of capital movements up to September, 1934. It is the only existing statistical book of reference concerning international accounts.

Labor

Elections by employees to choose representatives for collective bargaining have been conducted by the National Labor Board in 546 separate plants or industrial units. Over 100,000 employees participated in these elections. In 74.7 percent of the cases trade-union representatives were chosen, the "Monthly Labor Review" reports in its February issue.

Flexner convicted

 Our readers will recall that in a recent issue of Credit & Financial Management we carried a short article concerning the apprehension of one Ernest M. Flexner, also known as Charles Berkowitz, Paul Whiteman, etc., etc. Those of our readers who are interested in that account will be happy to know that the "bad check" artist in question has been sentenced from one to ten years in the Illinois State Penitentiary at Joliet, Illinois.

Flexner was arrested the latter part of December in Los Angeles and extradited to Chicago where, after many delays, due to his pleas for change of venue, he was eventually tried Tuesday, February 19th. Testimony by witnesses only consumed half an hour, and the jury only required twenty minutes to return their vote of "guilty".

Flexner, when the jury pronounced him guilty, instructed his Attorney to appeal for a new trial, which was made before the Judge could pro-

nounce sentence. The hearing on the motion for a new trial was set for February 27th, and then adjourned to Tuesday, March 5th, at which time the Judge ruled against the motion and pronounced sentence.

Complaints outside of Illinois are still advised by Carl M. Wolter, Secretary of the Foreign Credit Division and Manager of the membership Service Department of the Chicago Association of Credit Men, to request their Police Department to forward complaints to the Chicago jurisdiction. It is on the basis of complaints filed and upon the past public record of the defendant, that the Parole Board will decide the period of time for which Flexner must serve. This matter was brought to a successful conclusion through the efforts of the officials of Willard Battery Company, Mr. Wolter, and H. H. Bailey of the Fraud Prevention Department of the N.A.C.M.

Alabama has new law to protect material men

Effective at once, the state of Alabama has a new law requiring a second bond in the amount of one half of the contract, "with the obligation that such contractor or contractors shall promptly make payments to all persons supplying him or them with labor, materials, feed stuffs or supplies for or in the prosecution of the work provided for in such contract."

The new Alabama law provides that suit under the second bond, for the protection of material men, may not be instituted until 45 days after notice in writing shall be made to the surety provided under the bond. Such a suit may not be instituted later than one year after the completion of the work on the contract covered by the bond.

No bond to protect material men is required on jobs amounting to \$1,000 or less.

The features of this new Alabama law are for the most part identical with the proposed amendments to the Heard act, mentioned on page 35 of this issue of CREDIT AND FINANCIAL MANAGEMENT.

"If on this new continent we merely build another country of great but unjustly divided material prosperity, we shall have done nothing; and we shall do as little if we merely set the greed of envy against the greed of arrogance, and thereby destroy the material well-being of all of us."—Theodore Roosevelt.

Retail sales in 1934

14% above 1933 figures

by NELSON A. MILLER, U. S. Dept. of Commerce

Retail sales for the United States are estimated at \$28,548,000,000 for 1934 as compared with \$25,037,000,000 for 1933, an increase of 14%.

Based upon the most reliable current available statistics, constructed trade by trade to arrive at a United States total, each kind of business substantially increased its sales in 1934 over 1933. While the general trend of retail sales in 1934 was upward, the rate of increase varied greatly among the different trades. For example, the catalogue sales of mail order houses took the lead with a 25% increase, the automotive group coming next with a 22% increase, with restaurants, apparel stores, farmers' supply and country general stores, and furniture and household stores, ranking next with an increase of 18% each. Lowest increases were registered for 1934 in the food group with 7% and variety stores with 9%.

The total sales in 1934 recovered to a point where they were 58% of the 1929 total. They had reached a low point during the depression in 1933 when they were but 51% of the 1929 total. The low point in the depression was reached in 1933 in all groups with the exception of the following: farmers' supply and country general stores, mail order business, variety stores, automotive group, and furniture and household stores. These groups reached the low point in 1932 and each of them showed an increase in 1933. The recovery in 1933 of these five groups laid the foundation for the general increase in 1934 and was responsible for the fact that total sales in 1933 were but 2% below those of 1932.

The retail groups hits hardest during the depression were the furniture and household group with a low point in 1932 of 32% of the 1929 sales, jewelry stores with a low point in 1933 of 33%, farmers' supply and country general stores with a low point in 1932 of 33%, and the lumber, building, and hardware group with a low point in

1933 of 35% of the 1929 sales.

The groups least affected by the depression were variety stores, with a low point of 73% of their 1929 sales, restaurants and eating places, 67% of their 1929 sales, and second-hand stores with 71% of their 1929 sales. Of these groups, variety stores largely composed of chain organizations, lost less than any during the depression. A part of their lost ground had been recovered in 1933 when their sales registered an increase over 1932.

Of particular interest in the estimates is the showing of restaurants. The 18% increase in sales in 1934 was due largely to repeal, which, aside from adding dollars to the business of established concerns, was responsible for a large number of new restaurants, beer parlors, etc.

It is also interesting to note that the automotive group ranked second throughout this entire period. Automotive sales, now ranking next to food stores in the total retail make-up were not even an element in the retail picture several decades ago. They have in the meantime become such an integral part of the retail structure that they have maintained a position second to food stores in lean years as well as good. The fluctuations in sales of the automotive group were largely affected by sales of new automobiles, since the sales of the other elements in the group—gasoline filling stations, garages, tire and battery stores, etc., maintained a more steady demand from year to year.

"Domestic Commerce"

Famous

A struggling young author had called on a publisher to inquire about a manuscript he had submitted.

"This is quite well written," admitted the publisher, "but my firm publishes only work by writers with well-known names."

"Splendid," cried the writer. "My name's Smith."

CREDIT and FINANCIAL MANAGEMENT APRIL, 1935



Insurance digest

Inaugurated because of the credit fraternity's close contact with the insurance field and need of information about it.

Insurance and social security

What one large segment of leading American business is doing in the way of social security is shown in the results of an insurance survey made recently by the National Association of Credit Men. Data collected through this buying practices of 22,000 concerns contains information on life as well as other forms of insurance.

Of the four major problems of social security—old age, disability, death of the wage-earner, and unemployment—life insurance companies provide group insurance, for all except unemployment, largely paid for by the employers.

According to the survey, 69 per cent of the 22,000 firms that qualify for the insurance offer their employees' families insurance against death of the wage-earner, 5 per cent give insurance against old age and 20 per cent against disability—in addition, of course, to compensation insurance.

The questionnaire asked for the number of employees in each concern. Sixty-two per cent of the entire group have more than 37 employees, and it was assumed that these firms would qualify for and should have group insurance. Of the 3900 wholesalers who fall in this class, 3400 have group life insurance. Of the 9600 manufacturers who need it, less than 6000 have it. Among the wholesalers all prospects had been

solicited by salesmen. Among the manufacturers less than 1400 of the remaining 3600 prospects had been solicited for this kind of group insurance.

The same numbers qualify for group pensions, or annuities, and only 5 per cent of the firms involved had so insured their employees. Testimony to the fact that life underwriters are not such diligent salesmen as they are popularly considered lies in the fact that, of the remaining 13,000 prospects for this type of group insurance less than 700 have been approached.

There are 13,600 of these firms that qualify for these types of group insurance. Among the manufacturers 1900 have group disability insurance and among the wholesalers 800 have it or a total of 2700 which is about 20 per cent of the total qualified. Insurance salesmen have done a little better here, for of the remaining 11,000 prospects they have tried to sell this type of insurance to 2200. But for such a reputedly pavement-pounding prospect-searching group, calling on 20 per cent of the real prospects is hardly an amazing record.

The survey also queried these leading American firms about a plan which over the years has proved to be a successful way of helping men pay for their life insurance: the salary-allotment or salary-deduction arrangement whereby when a policyholder gets his policy he authorizes the cashier or paymaster of the firm for which he works to deduct the necessary small amount from his pay check and send it direct to the life insurance company. The same number of firms qualified for this plan and of them only 16 per cent have installed the plan. And though more life underwriters are trained in this branch of insurance selling, only 14 per cent, or 1700, of the remaining 11,500 prospects have ever been approached.

Don't worry

Patient: "Doctor, I feel like killing myself. What shall I do?"

Doctor: "Just leave it to me."

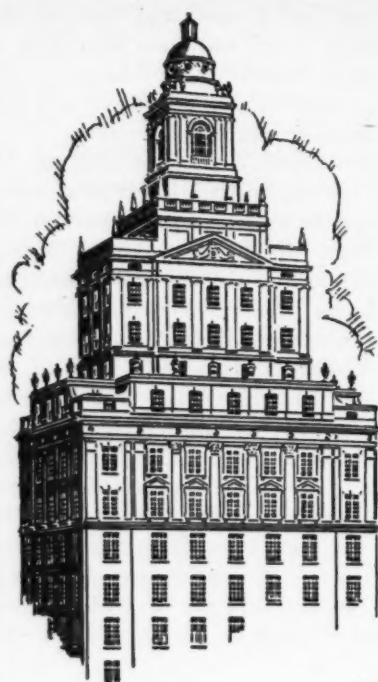
In the office

Physician: "Well, Mrs. O'Flynn, what's the matter with the boy?"

Mrs. O'Flynn: "Arrah, docthor, th' b'y's head is thot shtopped oop wid a coold thot his nose is no use, an' he's a cough on him thot wud shplit yer aires. Cough fer th' gintleman, Moiky."

—"The Kablegram."

CREDIT and FINANCIAL MANAGEMENT APRIL, 1935



Take Stock of Your Insurance

There is a lot at stake!

EVERY Agent of The American is in a position to furnish insurance analysis charts which will enable the property-owner to see at a glance his entire insurance "picture." Through this medium, many a man has discovered some serious error or omission before it was too late to correct it, and hence saved himself considerable money.

You can obtain one of these charts from our local agent, or direct from the Home Office.

Would you like further details?

THE American
INSURANCE COMPANY
Newark, N. J.

Incorporated 1846
Policyholders' Surplus \$11,284,955

An Old Line Stock Company
writing all forms
of Property Insurance

Court ruling in Pennsylvania affects conditional contracts

Interpreting the Uniform Conditional Sales Law as enacted in Pennsylvania, the Supreme Court of that state in the recent case of *Central Lithographing Co. vs. Eatmore Chocolat Company*, 316 Pa. 300, held that:

"All of the machinery of a manufacturing plant necessary for its operation as a complete going concern, is part of the freehold."

The court points out that the removal of machinery installed in a manufacturing plant will necessarily result in an injury to the "freehold" as thus defined, and that a conditional vendor of machinery installed in such a plant cannot, unless he has obtained an agreement from a mortgagee of the premises, permitting the removal of the machinery in case of default in payment, exercise the right granted by a conditional sale contract to remove the same.

Under this decision it would appear to be essential that a conditional vendor of machinery to be installed in a manufacturing plant in Pennsylvania, obtain the written consent of the mortgagor to the removal of the property before installation.

It would also appear that without the consent of a subsequent mortgagor, machinery installed in a manufacturing plant which, at the time of the installation was free and clear of mortgage, could not be removed.

If such is the effect of the decision, it is unsafe to rely upon a reservation of title in a conditional sale contract of machinery to be installed in a manufacturing plant in that state.

"My dear Uncle Sam"

The Department of Internal Revenue is in receipt of the following letter:

"Secretary of the Treasury, U. S. Treasury Department, Washington, D. C. 'Gents: The inclosed form, on which I am asked to make a record of my income for the last fiscal year, is returned to you with my respects and my deepest appreciation of this subtle form of flattery. I was particularly impressed by its resurrections of old forms and figures of English speech, such as 'compensation from outside sources,' 'net profit received,' 'income from rents,' 'interest on bank deposits,' etc.

"The question I got a great laugh out of was, 'were you during the taxable

year supporting in your household one or more persons related to you?' Boy, that's a honey.

"Say, Mister Secretary, you would be surprised. There are so many persons closely related to me staying at my house that I am what you would call surrounded. Only the other day, three more distant cousins of my wife's blew in, making a new high for the movement. And one of them brought a friend.

"For the last four years my house has been full of strangers, all claiming to be my cousins or aunts or something. I can't identify half of them, and what burned me up was when my wife's Uncle Jerry, who has been living with us for a year slapped me on the back the other day and asked, 'Haven't I seen you some place before?'

"The blank says it will allow me \$400 for each dependent relative, and I would say that Government is overpricing them, as I would trade the entire lot for \$11 and throw in a pair of bicycle pants and a magic lantern. (Two of my wife's aunts you can have for the asking.)

"Heigh-ho and lackaday! The Blank also asks me to 'describe your business as provided in Item 2,' and I am glad to answer, 'Lousy, Mister Secretary, Lousy.' And it asks me to 'enter on line 1 of Schedule A my total receipts.' I wish you would stop joking, Mister Secretary, Fun is fun, but enough is enough, and you can carry anything too far.

"Then you say something about allowance for 'obsolescence, depreciation and depletion.' That's where I come in. As an American business man, I am a study in obsolescence. I am depleted, delated, depressed, denatured, denounced, deranged and dejected. And so is my old man. Yours in a barrel, (signed.....)"

—Reprinted from *The Wall St. Journal*, N. Y.

Nearly everything

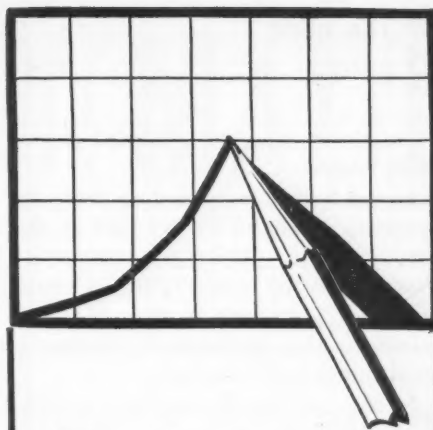
A youth had just driven home from college at the close of the term.

"Did you pass everything?" asked his mother anxiously.

"Everything but two motorcycles. They must have had airplane motors in them."

Prepare for PITTSBURGH!

40th Annual N. A. C. M. Convention and Fifth Credit Congress of Industry—June 17 to 21



Replacement Costs Trend Upward—

IS YOUR insurance protection keeping pace with increased values?

It is very important that your properties be adequately insured in accordance with present day values. Especially if your policies contain a Co-insurance, Average or Contribution Clause.

In these times of mounting replacement costs it is imperative that insurance policies be checked frequently.

And it is wise to place your insurance with the Northern Assurance Co., Ltd.

The Northern is an old line company. It is in its 100th year of operation. During the century it has pursued a steady, honorable and dependable policy and will continue to do so.

There is a Northern Agent in your city. His name and address will be supplied on request.

NORTHERN ASSURANCE CO., LTD.

80 John St., New York

Chicago

San Francisco



FIRE INSURANCE AND ALLIED LINES

Ask anywhere in the World what reputation the Northern of London bears.

CREDIT and FINANCIAL MANAGEMENT APRIL, 1935

The spirit of '49

(Cont. from page 11) produced in the order named.

Eleven companies, including dredging operators, produced 57 per cent of the state's output. Thirty-six companies, classed as major factors in the industry, produced 73 per cent of the total. The balance is that produced by prospects, small mines and by snipers.

In only one locality has labor trouble interfered with operations. That occurred in Jackson, Amador county, and three of the principal companies closed their mines. Two of them have yet to open and resume work.

Perhaps the most interesting development in the state is that of the Silver Queen, near Mojave. This property is new. It was located by several young men and brought to a point where it has been accepted as a potential "big mine." Recently it was sold to the Consolidated Goldfields of America, through a subsidiary, for an amount said to approximate \$3,000,000.

Tremendous interest has been stimulated in the region since the Silver Queen mine came into successful production and, particularly, since the purchase of it. Claims for miles around have been staked and traded. Much actual development work is now going on in the neighborhood.

Among those properties abandoned by former operators and reopened is the Carson Hill mine. This interesting old producer has again been placed in the list of going mines and promises a considerable career.

One of the most interesting of the mining developments in California is the King Solomon mine, on the South Fork of the Salmon river in Siskiyou county. This property dates back into the nineties. After it had been opened by the original owners, who skidded a small stamp mill over twelve miles of precipitous mountains from Sawyer's Bar and took out some \$200,000 dollars, it was sold to a wealthy young man from Rhode Island. The young man's family sent out a competent mining engineer who reported that it should be developed but prescribed a considerable outlay as a necessity. The family did not see fit to develop.

Thus the property lay idle from about the turn of the century until a prospector pointed it out to a mining engineer by the name of H. M. Thompson. Backing was secured from one man and through the most trying times of the de-

pression a road was built, a mammoth diesel engine weighing twelve tons was taken over the mountains, and a mill was erected that handles 300 tons of ore daily.

But the most interesting part of the King Solomon operations is the method of mining. Much has been written of the steam shovel work in Bingham Canyon, Utah, for the Utah Copper Company; of Ely, Nevada, and of Bisbee, Arizona, where Sacramento Hill was torn down and sent over concentration tables but rarely, if ever, has the power shovel been used to mine gold.

Yet at the King Solomon one \$11,000 diesel-powered shovel does all the mining and has plenty of time to spare. Trucks carry the ore to the head of a tramway where the ore is sent through a crusher. It is then sent down the mountain for a half mile into the mill where it is mixed with quicksilver and worked over riffles in the old, old way. The tailings, now, are being subjected to a modified cyanide process that promises to clean up the residue in the same way the packer utilizes the carcass of a hog.

Mechanization is here pointed out with a vengeance. At Jackson one mine produces about the same amount of ore

as the King Solomon and employs some 250 men for the purpose. The production is fortunate if it runs a ton per man. Twenty-five men handle the entire King Solomon operations.

From the standpoint of the Californian it is a source of great satisfaction to see the rebirth of gold mining. It is the most colorful of all industries. It is to industry, the loadstar of dreams. It must not be forgotten, however, that every prospect is not a gold mine and that the wily promoter is still searching for those whose pocketbooks open easily to a glib story.

Investigate, investigate and investigate some more before entering a gold venture (which is probably good advice for any investment) and when the commitment is made consider it a sheer gamble until the dull, deep gold begins to come through the fire of the amalgam retort in sufficient quantities to pay dividends. Then you may begin to count on some little degree of certainty.

In the meantime, despite the glamor, the romance and the attraction of the gold mine in California, it is well to remember that the hay crop of the state in 1934 was valued at \$73,638,000.

1935: Credit Interchange Year

THE greatest buyer of all times is your own government. Your house may find it to its advantage to bid on some of the supplies which the government desires.

The Washington Service Bureau of the U. S. F. & G. will co-operate with its clients in getting them first-hand information as to all lettings.

U. S. F. & G.

UNITED STATES FIDELITY & GUARANTY COMPANY

with which is affiliated

F. & G. FIRE

FIDELITY & GUARANTY FIRE CORPORATION

Home Offices: BALTIMORE



"Consult your Agent
or Broker as you would
your Doctor or Lawyer"

NEWS ABOUT CREDIT MATTERS

A Section Devoted to Association Affairs

Why Be Lonesome?
Join The Zebras!

APRIL 1935

40th Annual Convention
Pittsburgh June 19-21

Second Bond Is Asked to Help Material Men

Amendment of Heard Act Asked of Congress as Aid to Creditors

Word from Washington indicates that all interests—credit men, trade associations of various material sources, bankers and others—have joined forces to back an amendment to the Heard Act which, among other things, will provide:

(1) Payment bond for protection of those supplying material and labor.

(2) Material and labor suppliers shall have right to file suit in 90 days rather than in six months as under present provision.

This bill, introduced by Congressman John E. Miller (H.R. 6677), while not providing all of the changes in the present law asked by the credit men, is considered as good a compromise as can be obtained out of such a flood of ideas and demands.

N.A.C.M. firms interested in government contracts are urged to present their approval of the Miller bill as promptly as possible. John E. Miller, Democrat, Arkansas, who is acting chairman of the sub-committee, should be contacted by letter or otherwise. Other members of the sub-committee are: Warren F. Duffy, Toledo, Ohio; Charles E. McLaughlin, Omaha, Neb.; Randolph Perkins, Jersey City, N. J., and John M. Robinson, Barboursville, Ky. Members having personal acquaintance with any of these sub-committee members should present their views to their friends at once.

N. Y. C. M. A. Passes 40th Mile-Stone at Notable Festival

The New York Credit Men's Association celebrated its fortieth year of service at the annual banquet on March 28th. Of permanent value in connection with the event was a program containing a gallery of all the presidents, treasurers and secretaries who had served from 1895 through 1935. It contains the likenesses of twenty-three presidents, four treasurers and four secretaries. It was the Association's good fortune to be able to present this official gallery complete.

The Association's glee club of forty voices with the assistance of the piano and the great organ of the Hotel Astor provided the musical program.

The committee in charge of the Second Conference District of the National Association of Credit Men covering New York, New Jersey and Eastern Pennsylvania met in New York on March 23rd to discuss the welfare of the district and to make plans for the fall district conference which, after a lapse of many years, is to be held in New York City.

New Arson Bill Passed by N. Y. Assembly Called Forward Step

It may seem like a paradox that credit men should endorse a movement to reduce the penalty for a commercial crime, but when experience proves that too severe penalties defeat the purpose of the law it does seem logical to reduce the penalties so

Zebra Herds Prancing for First National Round-Up



H. W. Clausen, Once Natl. Director, Dies In Boston, Mass.

Henry W. Clausen, former president of The Chicago Association of Credit Men for two terms, and a director of the National Association of Credit Men from 1930 to 1934, died suddenly in Boston, Mass., on March 2. Funeral services were held on the following Tuesday, March 5, from the family residence, with

(Continued on page 37)

Pittsburgh Convention in June to Mark First Gathering of "Hee-Haws" from Other Than West Coast Areas

Those who were fortunate enough to attend the 39th annual N.A.C.M. convention at Los Angeles last June still sense a thrill when they read or hear the word Zebra. This year when Zebras are expected from at least 20 different Associations, the "Hee-Haws" of a wide variety of color stripes likely will be seen in large numbers at the William Penn Hotel, Pittsburgh from June 17 to 21, inclusive. After the 1935 convention, N.A.C.M. members who do not rate a Zebra badge, may be looked upon quite like the Boy Scouts look upon the Tenderfoot or the Cub.

This convention will mark the first national round-up of the Zebras. The boys out in the Pacific division have known for some time about the mysteries of ROZ. During the past winter months several large herds have been established in other areas.

At the Christmas party last December the St. Louis Association installed a large class of Zebras. Secretary Livingston has announced that this class will be considerably augmented before the time of the June convention.

Out in the Windy City, there's something new—a whole herd of Zebras! And our advices from the Midwest Metropolis assure us that they didn't come from Africa, Lincoln Park or the West-side Zoo.

(Continued on page 37)

NACM News and Notes

Conference Works Draft of Revisions for Bankruptcy Act

Credit Men, Bankers, Lawyers, Referees Join in Study of Plan

The National Bankruptcy Conference, a group of lawyers, referees, credit men, bank representatives, and others having special experience in bankruptcy matters, is working on a few remaining problems in drafting a revision of the National Bankruptcy Act, and when these are worked out, it is planned to submit the final draft to Congress for consideration, and, it is hoped, adoption. The Conference has been engaged on this work for the past three years.

Four tentative drafts of a revised bankruptcy law have been prepared and distributed for inspection and criticism by many lawyers and other interested persons in many parts of the country, and the latest draft, which was thoroughly discussed at a three-day meeting of the Conference at Washington early in March, is believed to embody the consensus of most modern thought on the numerous aspects of bankruptcy law in the United States.

Referee Paul H. King, of Detroit, chairman of the Conference, is being aided by standing committees, to which have been assigned specific portions of the work, as follows:

Definitions and offenses, Harold Remington, of the New York bar, chairman; jurisdiction and procedure, Jacob M. Lashly, of the St. Louis bar, chairman; bankrupts, Robert A. B. Cook, of the Boston bar, chairman; compositions and discharges, Jacob L. Weinstein, of the Philadelphia bar, chairman; administration, Referee Carl D. Friebolin, of Cleveland, chairman; creditors, W. Randolph Montgomery, of the New York bar and Counsel of the National Association of Credit Men, chairman; pref-

Credit Careers



WILLIAM E. MOORE

It is not often that our "Credit careers" column is privileged to carry the biography of a man who was present on that eventful day in 1896 when the National Association of Credit Men was born in Toledo. But Mr. William E. Moore, of the United States Fidelity and Guarantee Company of Baltimore, is the man who fills that qualification.

In a recent write-up of him in a Baltimore paper, it was stated that Mr. Moore probably knows more credit men, bankers and lawyers individually than any other person in the United States, and his list of acquaintances is not limited to this country.

Mr. Moore has developed this wide acquaintance among lawyers and bankers because for

twenty-five years he was Vice President and General Manager of a Philadelphia publishing concern, which issued a lawyers' and bankers' directory, and thus he traveled all over the United States visiting practically every town in the country with a population of 5,000 or more people.

Now an executive of a Baltimore surety company, Mr. Moore still makes it his business to meet people. He attends every important convention of bankers, lawyers and credit men.

Mr. Moore was in Toledo the week the National Association of Credit Men came into existence. He had gone to that city with Mr. Henry Duffy, who at that time was Editor of the "Lawyer and Credit Man." Mr. Moore, as Mr. Duffy's guest, attended a dinner at the Hotel Victoria at Put-in-Bay, during which the National Association was born. Not being a member of the convention, he did not register but he did attend the next convention which was held at Kansas City and many others since that time, and for the past twenty years has not missed any.

His activities at present include these: Secretary of the Casualty and Surety Club of Baltimore, Secretary-Treasurer of the Law List Publishers' Association of America, member of the Board of Directors of the Retail Credit Men's Association of Baltimore, as well as President of the Baltimore Association of Credit Men.

erences, liens and title, Prof. James A. McLaughlin, of the Harvard Law School, chairman; and corporate and railroad reorganizations, Edwin S. S. Sunderland, of the New York bar, chairman.

The Conference, which is composed of committees appointed by the American Bar Association, the Commercial Law League of America, the National Association of Referees, the National

Association of Credit Men, and the American Banking Association, as well as a number of members-at-large, has held nine meetings since the summer of 1932.

The drafting committee is composed of Referee King, chairman; Referees Friebolin and Olney; Professor McLaughlin, and Messrs. Cook, Hunt, Lashly, Layton, Montgomery, Olive, Sunderland and Weinstein.

Credit Men Scan Many New Bills by State Solons

Checking on Legislation Is Now Recognized As Important

During the present year some 42 state legislatures are in session. So it behooves credit executives to be on the alert to check on every measure submitted to their state law makers which might affect business. Legislative committees are now active in practically every state and it is encouraging to note that through the efforts of these committees a number of dangerous bills have been sidetracked while other bills which would be helpful to the credit and collection activities of business men have been passed or given an endorsement.

It would be impossible in this limited space to mention all of the activities of legislative committees. The items mentioned are not necessarily considered "high spots" of the state legislative work as every effort of a legislative committee is a "high spot."

The Oregon legislature has completed its work for the year so the Portland Association is compiling a summary of the laws and amendments which affect business. This summary will be in the hands of members many weeks before the state publishes the new statute book.

The legislative committee of the Minnesota credit men is backing a bill to inflict a severe penalty for obtaining merchandise on the strength of a false financial statement. It is now a criminal offense to obtain money from a bank on a false statement and the credit men seek the same protection.

The Indiana solons are debating a bill requiring a bond for all who engage in collection business except lawyers, banks and credit associations not operated for profit.

NACM NEWS and NOTES

Credit Courses at Boston Draw Many Junior Executives

Classes are Sponsored in Co-operation with State Educators

Increased interest in credit education is evidenced by the exceptional progress made this year by the Boston chapter, National Institute of Credit.

Under the able guidance of Miss Bessie B. Loring, Boston Woven Hose & Rubber Co., president of the chapter, and Charles A. Colton, The Boston Transcript, chairman of the board of governors, the enrollment in the chapter has grown to a point where it shows an increase of over 100% over any recent year.

While arranged to appeal particularly to junior credit men and women, the program has been of such high caliber and interest that it has attracted the attention of credit executives as well, and the older members have rallied to the educational program in a most encouraging way.

Consideration has also been given to the value of social events, and the program for the year includes four events.

New Arson Bill Is Passed By Assembly in New York State

(Continued from page 35)

were mandatory. Many barriers also were set up before the crime of arson actually could be proved in court. Practically no convictions had been obtained because of these legal difficulties and the fact that juries were not apparently willing to vote convictions which carried such long prison terms.

The so-called model arson law has now been adopted in seventeen states, and the number of convictions under these laws has been increasing and they are now recognized as strong deterrents upon this sort of commercial crime.

New Washington Service Is Started Under Direction of Former U. S. Man

C. F. Baldwin, Bureau Manager Has Had Long Experience in Washington

(Continued from page 15)

Credit Men, then we believe the Washington Service Bureau can be of assistance to you.

In general, the services which business organizations require in Washington may be classified in two groups: (1) such general assistance as is indicated in the preceding paragraph and (2) direct representation in such matters as income tax, patents, legal work, sales promotion and similar specialized activities. The latter are obviously beyond the scope of activities of the Washington Service Bureau, whose services will lie between the individual industry activities carried on in Washington by trade associations, on the one hand, and such highly specialized or technical services as are rendered by income tax consultants, patent lawyers, sales representatives, etc., on the other.

Between these two extremes, however, there is a wide variety of miscellaneous services which are needed by business men and which the Washington Service Bureau will be prepared to handle.

What is necessary to perform these general services in Washington is not a "back door" approach but knowledge and experience with the way in which Washington operates. Without that experience waste effort and costly delays are often unavoidable; with it, the information and assistance to which every taxpayer is entitled may be obtained by direct approach to the authorities concerned.

The volume and nature of inquiries which are already being received indicate the interest which members of the National Association of Credit Men are manifesting in this new service. It is suggested that you and other

officials of the organization with which you are connected note its availability and use it as a means of simplifying some of your Washington problems.

It is well known that time and money are often needlessly spent as a result of prolonged correspondence with government agencies in Washington or by sending company representatives there to accomplish work which could be performed as effectively and often more speedily by an interested representative located permanently in the capital. It is to render such service that the Washington Service Bureau was established. It will be glad to receive your requests for assistance or advice.

Services of the Bureau which involve relatively little time or effort . . . and there are a great many which will fall within this class; will be performed without charge. Others which require the expenditure of a considerable amount of time, in conferring with government officials and in other work required by the inquiry, will be charged for on a basis of the cost of the service. In all cases the charge will represent the cost of the work and will not be assessed for the purpose of making a profit.

This policy, we believe, is reasonable and will be so regarded by users of the service who will appreciate the savings effected by such use. No charge will be made for services, the cost of which does not amount to five dollars. When the charge will exceed that figure, the organization requesting the service will be provided immediately with an estimate of the cost, and action on the inquiry will be deferred until further instructions are received. This will not be done, of course, when the nature of the inquiry indicates that its prompt handling is imperative. In such cases, the work will be performed, the charge assessed and the Bureau will be content

(Continued on page 38)

Bess R. Havens Is Named to New York Assn. Post

Former Binghamton Secretary Takes Desk in Interchange Dept.

The following editorial from the March 1st issue of the Binghamton, N. Y., Press, entitled "All on the credit side," concerns the arrival in New York of Miss Bess R. Havens, who has been Secretary of our Binghamton Association, and on March 1st took over her new duties in connection with the New York Credit Interchange Bureau:

"For the past eight years, with a discretion commensurate with such matters and an efficiency which made her invaluable, Miss Havens managed the credit bureau of the Binghamton Chamber of Commerce. For the past five years she has been secretary of the Binghamton chapter of the national association.

"She was a material addition to that group in the community which appreciates literature and the arts and in that group she will be missed. In her own pleasant unobtrusive way she helped along those things which are for the betterment of any community.

H. W. Clausen Once Nat'l Director, Dies In Boston

(Continued from page 35)

interment in Black River Falls, Wis.

During his long career of service in The Chicago Association of Credit Men, he was especially active in Credit Interchange matters. He was chairman of the Credit Interchange Committee for several years and also chairman of the National Credit Interchange Committee.

At the time of his death, Mr. Clausen was treasurer of C. D. Osborn Company, glove manufacturers, with which company he had been continuously associated since 1919. From 1907 until that time he had been assistant City Engineer of Chicago.

NACM NEWS and NOTES

Worcester Holds Classes to Study Finance Reports

Co-Operates with Chamber of Commerce on Educational Plans

Co-operating with the Worcester Chamber of Commerce, the members of the Worcester County Association of Credit Men are conducting a series of forum meetings at which the main discussions are centered on the Financial Statement. The first of this series of classes was held on February 18. This session was devoted to the general subject of the Credit Man and the work cut out for him in the modern business organization. On February 25th the subject was, "Credit, the Necessary Tools and Their Uses." On March 4th the Financial Statement was discussed from the standpoint of its background and development as a means of credit appraisals.

On March 18th the discussion was centered about the ratios to be considered when judging a financial statement. This same subject was continued on March 25th and again on April 1st.

New Washington Bureau To Assist Executives

(Continued from page 37)

to have the recipient of the assistance determine the fairness of the charge.

Mr. Heimann's bulletin to members, explaining the preliminary plan, said all inquiries to be handled by the Washington Service Bureau should be addressed to the New York office of the N. A. C. M. so that the general character of the inquiries may be analyzed. *This need not be done, of course, when the nature of the inquiry requires immediate action.* In every case the inquiry received in New York will be forwarded immediately to Washington.

Miss Haight Is Author of Song for Credit Men

Miss Wilma Haight, daughter of P. M. Haight, of the International General Electric Co., President of the New York Credit Men's Association, and Vice President of the N.A.C.M., has written a song dedicated to the New York credit men, which goes as follows:

Come on, you credit men,
Get in the swing again,
New York is going strong!
Matching with stride for stride
Comrades on either side,
The while we march along;
Swinging on, line by line,
Bearing aloft the sign—
Working together all the way.
Our watchword—"Vigilantia,
And the N. Y. C. M. A."

Chorus

The credit men are marching on,
Twenty hundred strong,
Looking toward the better day
That's bound to come ere long;
Working for a common goal,
Put business on its feet again,
For the New York credit men.
Co-operating one and all.

Cleveland Referee Tells of Dangers of Sec. 77-B

C. D. Friebolin Says Creditors Are Lax Handling Cases

Cleveland.—"Amendments 74 and 77-B" were discussed by Carl D. Friebolin, local referee in bankruptcy, who was the principal speaker at a forum meeting held at the Hotel Statler here by the Cleveland Association of Credit Men.

Mr. Friebolin scored creditors for their laxity in allowing a debtor corporation to file a petition for reorganization under 77-B, without requesting a hearing to determine whether or not the debtor is in a position to reorganize the business and ultimately assure the creditors 100 per cent return on their claims.

SOUVENIRS



Permitting accounts to "age" too long before being put through a different collection "hopper" is a mistake made by many credit executives, according to J. L. Vance, secretary-manager of the Tri-State Association of Credit Men at El Paso, Texas. Mr. Vance offers this idea as the basis for this month's advertisement of the Collection division of the N.A.C.M. affiliated Adjustment Bureaus which appears on page 34 in this issue of the magazine. Mr. Vance advances the theory that a different type of a "hopper" frequently will "mill the grain" when the regulation methods had produced only chaff.

Mr. Vance was educated at the Texas College of Mines at El Paso, Texas and the University of Arizona at Tucson. In 1925 he made a commercial tour of Japan, China and the Philippine Islands and of Europe in 1926.

In 1929 Mr. Vance went with the Arizona Association of Credit Men at Phoenix and later was named assistant secretary-manager of that organization. In 1934 he was appointed secretary-manager of the Tri-State Association of Credit Men at El Paso.

**Additional News
and Notes on P. 47**

Phil Gray Goes to Syracuse, N. Y. as Sec.-Manager

Other Changes in Personnel of Associations During Past Month

Several changes of importance have taken place during the past month in the personnel of different Associations. Among these changes may be mentioned the following:

Phil J. Gray, who has been Western advertising manager for Credit and Financial Management and during the last few months has been helping Roy Colliton of Central Credit Interchange in handling some group work, on April 1 took up his new duties as secretary of the Syracuse Association of Credit Men.

A branch of the North Texas unit of the Service Corporation has been established at Fort Worth under the direction of J. B. Armstrong.

Eugene Dietler is now in charge of the service activities at New Haven. Miss Dickerman, formerly in charge of the Interchange Bureau has resigned.

Pittsburgh Women Give Play

"Not a Man in the House" was the title of a play presented at the dinner meeting of the Pittsburgh Credit Women's Club on March 19. Those presenting the play were the Misses Jane McCafferty, Thelma Katzenmeyer, Jeannette Bernstein, Rosalie Chell and Inez Bardelle.

Tri-State at St. Paul April 27th

Credit Men of Minnesota, Wisconsin and North Dakota will meet in St. Paul on April 27th—the occasion being the 20th Annual Northwest Credit Conference. Mr. H. L. Cummings of "Westinghouse" St. Paul, is chairman of arrangements.

Pittsburgh: City of steel

(Cont. from p. 13) the rivers. At points on the Mississippi they were sold, cargo and all. It was expensive to get the boats back up the rivers so they were broken up for their lumber. Some Pittsburghers are not proud of the fact but whiskey preceded iron and steel as Pittsburgh's chief article of commerce. Excellent rye still comes from the banks of the Monongahela.

The Civil War definitely completed the commercial tie between Pittsburgh and the East. Even in 1850 Pittsburgh's connection with the East was remote. Andrew Carnegie said:

"There was no direct railway communication with the East. Passengers took the canal to the foot of the Allegheny mountains, over which they were transferred to Hollidaysburg, a distance of thirty miles by rail; thence by canal again to Columbia, and then eighty-one miles by rail to Philadelphia—a journey which occupied three days."

Pittsburgh's skies still glare red at night from the flames of distant Bessemer converters but the city no longer answers the description:

"Hell—with the lid off."

This was apt 30 or 40 years ago when mills roared across the river from the "Golden Triangle" and even invaded its premises. But rising real estate values in the downtown section together with the need of the steel industry for more room as its production units increased in size has driven the mills to outlying sections along the rivers.

Today such nearby communities as Homestead, Braddock, McKeesport, Aliquippa, Ambridge and Etna are the homes of the steel mills.

East Pittsburgh contains the great Westinghouse Electric plants. Wilmerding has the Westinghouse Air Brake plant.

The glass industry still sticks close to Pittsburgh for the excellent supply of sand and natural gas but it too has gone to outlying towns where property is cheaper and there is more room.

Today Pittsburgh is a commercial and banking center for the industries that form a circle about it.

This change also has made the title "Smoky City" not entirely appropriate. Pittsburgh does not boast the most immaculate atmosphere in the world but it no longer bathes in the soot of the

days when it was "Hell—with the lid off."

Retail study

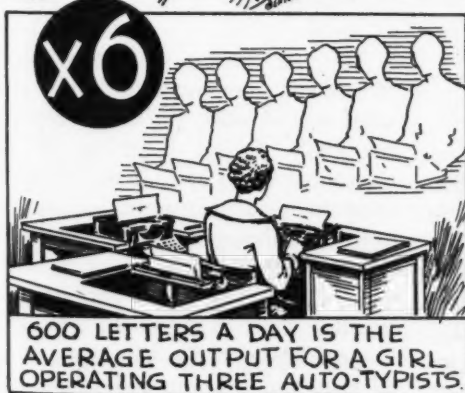
More comprehensive statistics on the trend of retail sales, including data showing the trend of sales in each region of the country, will be gathered by the newly created market data section, which will also compile newly available market data according to such plans. Information now being gathered on sales of new passenger cars, sales through variety store chains and grocery chains, and in rural regions, will be supplemented as soon as possible, with information on other retail lines such as drugs, apparel and furniture stores.

A series of indexes for wholesale trades will be inaugurated by this section as soon as possible and its planned activities include a revision of such publications on market data as "Market Data Handbook of the United States," as time and funds permit.

Prepare for PITTSBURGH!

40th Annual N. A. C. M. Convention
and Fifth Credit Congress of
Industry—June 17 to 21

OFFICE MAGIC—HOW TO MULTIPLY A STENOGRAPHER



With Auto-typist you can afford to handle all your correspondence by personal letter.

Auto-typist is a pneumatic mechanism which operates a typewriter with perfect accuracy and superhuman speed.

Nationally known companies (John Wanamaker, Montgomery Ward, Metropolitan Life, New York Times, Pittsburgh Plate Glass) find that Auto-typists actually pay for itself in six months by directly increasing the results from letters. Some users say they multiply replies nine times.

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An idea and experience exchange on equipment, system and management in the modern credit and business office.

Birthplace of the typewriter

The original model of the typewriter, invented by Christopher Latham Sholes and Carlos P. Glidden, was developed in Milwaukee, Wisc. Alderman Carl P. Dietz, of that city, has made quite a collection of typewriters and these are now housed in the Milwaukee Public Museum. One exhibit is a replica of the Kleinstuber Machine shop in which Sholes and Glidden developed their idea. The reproduction is complete, even to the cat. Eventually the walls above the museum cases will be decorated with murals of scenes surrounding the machine shop. It is hoped to ultimately include nearly every known-make of typewriter. The exhibit will then give a very complete picture of the development of this indispensable business tool. The first fifty Sholes and Glidden typewriters were developed in Milwaukee. These were the only complete typewriters ever produced in that city.

This and that:

George B. Graff Company, Cambridge, Mass. has solved the nuisance of applying gummed cloth re-enforcements to loose-leaf sheets with The Patch Placer. . . . Nickel-plated cylinder with plunger. Contains one hundred patches. Moisten and patch, place over hole, push plunger—and the job is done. . . . Rockwell-Barnes Company, Chicago, have new "Ring Bound" stenographer's note book. Covers are treated at edge with a rubber-like substance which enables book to stand with-

out collapsing. . . . Our heart warms to Globe-Wernicke's Extra Heavy Steel Waste Baskets. . . . Rounded corners with rubber bumpers. . . . Sliding domes or legs on bottom. . . . Seems capacious enough to even hold our rubbish. . . . Acme Recording Devices announce Acme In Line Time Stamp. Prints on one straight line the year, month, day, A. M. or P. M., hour and minute. Impression can be made at will anywhere on paper. Automatic electric operation. . . . We have perfected many methods for recording our time. We have made less progress in utilizing it. In precision work, endurance tests and on other special occasions we make much of split seconds. In the ordinary routine of our work, we waste minutes and hours without thought. We do not refer to inefficient motions so much as careless planning and loose thinking. These are enemies of an effective day's work. . . . Who, though, are we to talk of effective and efficient work when we interrupt this to glance from our window at the blue sky and the sunshine in the square below. . . . Spring has just given us one of those sudden quick jams for which she is noted. . . . We must stop this immediately or we may wax lyrical (heaven forbid!)

—H. P. P.

A scientist says that once while traveling through Arizona a Scotchman dropped a dime in a gopher hole. It is intimated that this may have some bearing on the origin of the Grand Canyon.

"Could yo'-all direct me to a good bone specialist?"

"Whuffo'? Yo' ain't gone an' got yo'self sick, has yo'?"

"No—but Ah ain't won a crap game in three months."—*The Claw*.

The one man who came through the depression without worrying was a member of a nudist cult who was on a diet.—*Life*.

Why won't the banks loan money?

(Cont. from page 7) pretation of that expression can be discussed endlessly without a great deal of satisfaction, but, in my opinion, legitimate expansion is really conservative expansion, and should find its source in demand—especially in the retail field. Theoretically, the result of any expansion is an increased equity. That is derived either

from plowing back profits or obtaining additional fixed investment because the increased costs that go with increased sales require more outlay for merchandise. However, if the additional merchandise is obtained on credit without definite demand, the business man, as one small town banker has expressed himself, is "spreading himself too thin". In many cases, it has led to over-extended, frozen positions.

If we trace the lending of money from its earliest stages, we will find that there was always some form of security involved. Eventually, that lead to commercial loans with the business itself being considered the security. But in the true sense a commercial loan must be judged on turnover which, in the last analysis, creates the ability to repay. We have come to believe that the primary use of bank credit is to discount bills, especially where there is a seasonal trend and where the bank feels that at the end of the season the principal will be repaid. I doubt very much, however, whether the bank can be criticized because they refuse to pay out the trade and sit "with their fingers crossed", hoping that the merchant will be able to pay it back. That, we are told, is especially applicable in retailers of staples.

Perhaps, that brings us back to where we started, but if we are going to criticize the banks we might also say that the retailer who laments his condition, particularly to the extent of calling himself "the forgotten man" has really forgotten himself. He may be caught by the trend of times, but has he reduced expenses or has he continued to draw heavily on the business? Would it not be better for him to arrange the financing of his merchandise with the bank before buying it, rather than to wait until he has it, and then expect the bank to rescue him? In the hardware business, particularly, we have heard of cases where wholesalers have had to take chattel mortgages on fixtures in order to liquidate what were really believed to be good credits.

The fact that no definite solution is offered does not mean that there is not some way to work out the problem. I, personally, believe it is one of merchandising. In staples, I think a finance company, through stretching trade terms over the ordinary limits, might alleviate the situation, but for a bank to supply additional capital to be put into merchandise which is not of the type quickly turned over, really does create a capital loan, and I do not believe that commercial banks should be expected to bear the load.

Steel and Cement Groups plan meetings

The Reinforcing and Bar Steel, the Wire Steel, and the Flat Roll Steel Groups will endeavor to hold joint meetings during the Credit Congress of Industry in Pittsburgh in June. The Bar Steel Group will hold its meeting under the chairmanship of Mr. Paul Miller in any event.

The Cement Group under the joint chairmanship of Mr. Muehlke for the Eastern Group and Mr. O'Connor for the Central Western Group will hold separate meetings of their groups in the morning and a joint meeting in the afternoon.

The coordination of these plans are in the hands of the Secretary of the Groups mentioned. Address all communications to E. Balestier Jr., One Park Ave., N. Y.

Credit Congress of Industry

(Continued from page 14)

Beauty Shop and Barber Supplies
Brewers
Casket Manufacturers
Clothing and Dry Goods
Coal
Confectionery Manufacturers
Distillers
Drug and Chemical Manufacturers
Drugs, Confections and Tobacco Wholesalers
Electrical and Radio
Engineering and Construction
Florists' Supply Credit Group
Flour Millers
National Food and Allied Products Manufacturers
Food Products Wholesalers
Footwear
Furniture
Glass, Tableware and Specialty Manufacturers
Hardware Manufacturers
Hardware Wholesalers
Insurance
Iron and Steel
Jewelry Wholesalers
Meat Packers
Newspaper
Oil Well Supply
Paint, Varnish and Lacquer
Paper Products and Converters
Fine Paper Manufacturers
Petroleum
Plumbing and Heating
Stationery, School and Office Equipment and Supply Manufacturers
Textile

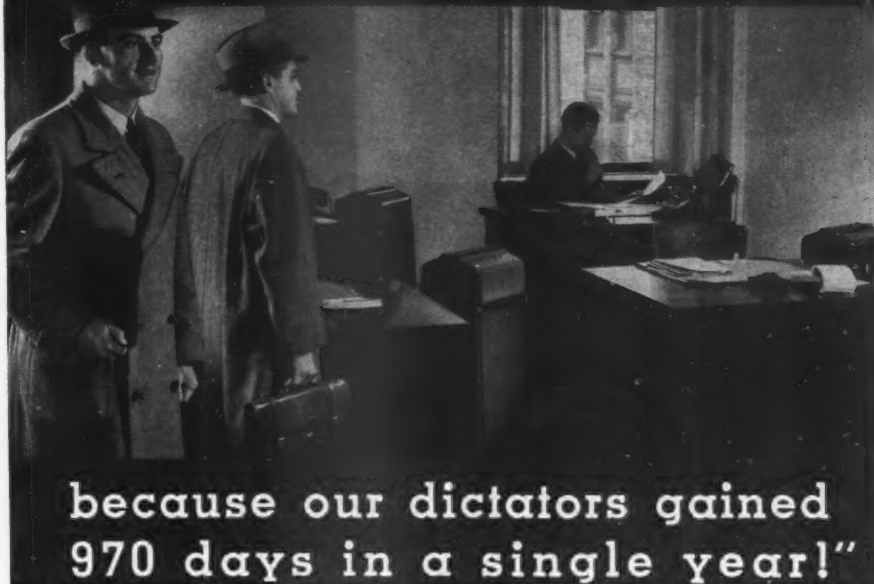
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40th Annual N. A. C. M. Convention
and Fifth Credit Congress of
Industry—June 17 to 21

"We'd just as soon go back to
the old letter-press



as do without Voice Writing . . .



because our dictators gained
970 days in a single year!"

(FROM EDISON RECORDS OF THE WORLD'S BUSINESS)

After Pro-technic Ediphones had been installed in this company's Claim Department it was found that the 14 Dictators (investigators, who usually work outside the office) each gained 1 1/3 days a week. 970 days a year . . . a 24% increase in business capacity!

These men are now able to dictate at any hour, without assistance. Slowing up of reports—through use of long-hand, or because of overworked stenographers—no longer exists. The Edison principle of "think once . . . write once . . . at once" guides all dictation service. And it has accounted for a 33 1/3% increase

in Stenographic business capacity because time is no longer wasted in writing everything twice—once in a notebook, and again on a typewriter.

According to a company official, VoiceWriting is valuable in small offices too. Where men are outside, selling, Pro-technic Ediphones allow them to dictate before 9, after 5, or at any hour.

Everywhere, Pro-technic Ediphones are helping large and small organiza-

tions increase their business capacity! TELEPHONE THE EDIPHONE, YOUR CITY, for further information!

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Ediphone

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NEW YORK, N. Y.**

Industry credit service

The threat:

(Continued from page 16) against the account his Industry information shows as meriting Credit.

So long as firms in the wholesale field do not restrict their activities to one line of merchandise sold through one class of outlet which deals in no other merchandise, an exchange of information limited to those in an Industry can be nothing other than incomplete, inaccurate, and too often misleading.

Some people in various Industries have argued that, after an Industry exchange of information, there should then be effected cooperation between Industries. The theory is excellent, but in practice it presents insurmountable difficulties: increased expense, duplication of handling, and difficulty in effecting cooperation between Industries semi-competitive in nature. Even if ultimately accomplished, the net result would be neither more nor less than racing around a circle to get back to the spot from which they started.

After destroying Creditor Cooperation in every Industry as it exists today through the Credit Interchange System of the National Association of Credit Men they might after terrific expense and colossal Bad Debt Losses convert Industries to cooperation (with no less trouble than the conversion of individuals). That accomplished, they would find their plan only retarded and complicated by Industry classifications and at last would come again to what they have right now—Creditor Cooperation regardless of Industry functioning to give all Creditors all the information on all Debtors regardless of their Industry—a cooperation that is the basic principle of the Creditor-owned, Creditor-controlled and Cost-operated Credit Interchange Bureaus of the National Association of Credit Men.

(Cont. from col. 3) divisions or classifications, is vitally important to all Creditors. Any effort to subdivide it by Trades or Industries will not only restrict and obstruct the functioning of that cooperation, but may destroy it entirely.

**Insure profits in 1935 with
Credit Interchange Reports**

CREDIT and FINANCIAL MANAGEMENT APRIL, 1935

The promise:

(Continued from page 17) with the problem of how to regain control of their own credit records, and how to regain effective Creditor Cooperation.

If this Industry Credit Service does not succeed, it will still be responsible for seriously disrupting present hard-gained Creditor Cooperation and for retarding the development of the further cooperation which is so vitally necessary to business. An experiment of this nature lasting but a few years will set the cause of credit cooperation back twenty years.

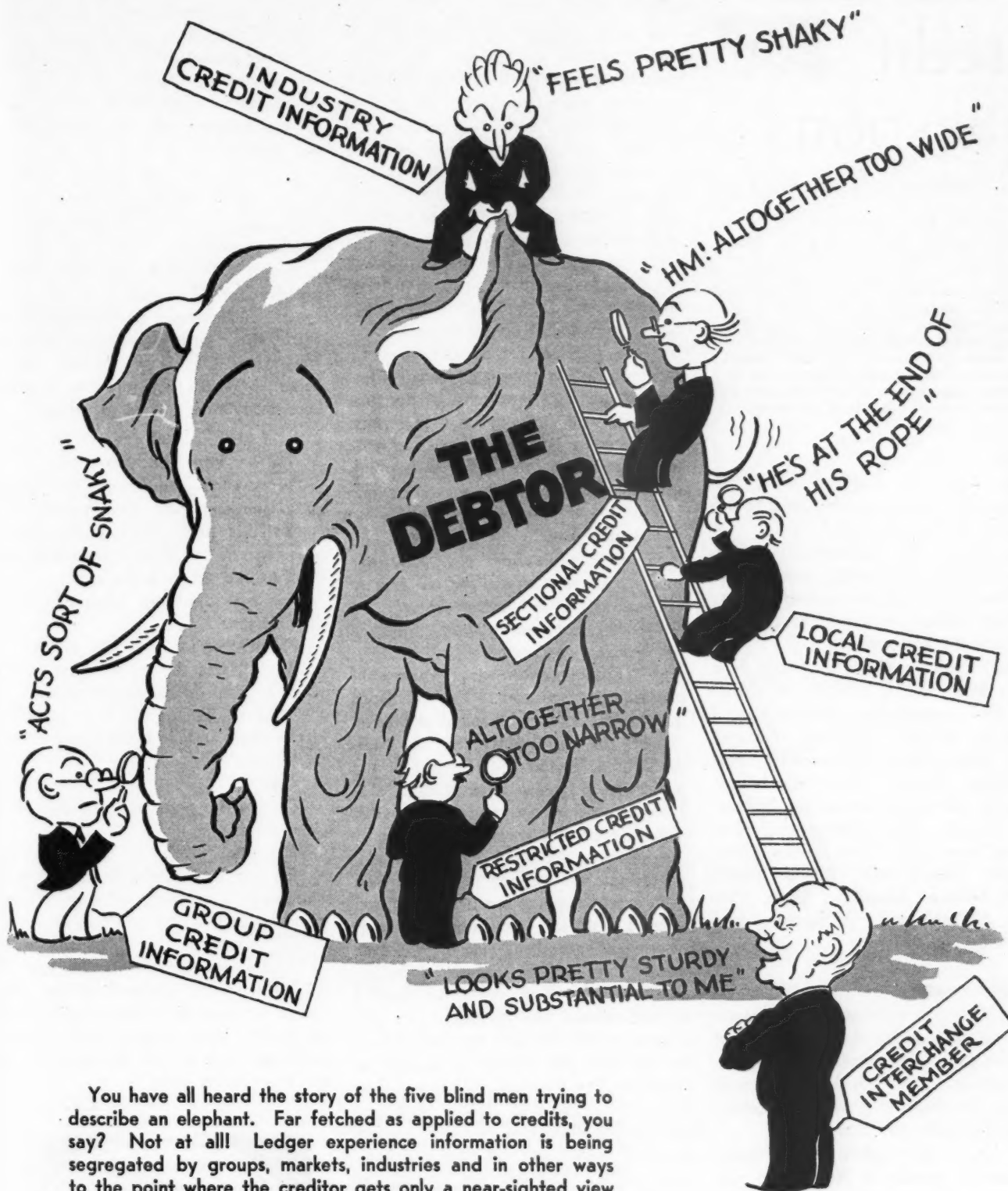
The time to consider this problem is now. It is not a question of how or by whom ledger experience information shall be exchanged. That question must be answered by the owners of that information, themselves. No one can answer it for them. It is a question, however, of what is the most effective means of exchanging information. Can there be any better procedure than one which has as its basis the bringing of all Creditors of a given customer together? Which will place before each of those Creditors the story of his activities as it is reflected by the books of all the Creditors?

That there are immense advantages to be gained by the development of proper cooperation among those in individual Industries is indisputable. In manufacturing sales and distribution, problems may relate strictly to one Industry. But it must be remembered that the problem of credit, which is simply currency in another form, requires a common denominator.

The individual to be investigated is he who is seeking credit accommodations. The justification for those accommodations is to be found not in what he owes a small fraction of his Creditors in one particular Industry, but in what he owes all of his Creditors. In other words, it isn't a question of whether he has a sufficient amount of assets on hand to pay those in one Industry, but whether he can liquidate at one hundred cents on the dollar for all Creditors in all Industries. If he cannot, all Industries lose regardless of what activity they may carry on within themselves.

Cooperation, uncomplicated by any real or imaginary (Turn to col. 2 this page)

WHO HAS THE *TRUE* PERSPECTIVE?



You have all heard the story of the five blind men trying to describe an elephant. Far fetched as applied to credits, you say? Not at all! Ledger experience information is being segregated by groups, markets, industries and in other ways to the point where the creditor gets only a near-sighted view of his customer's buying and paying record. Credit Interchange Reports lend proper perspective to any debtor investigation. Desirable and undesirable Debtors are easily recognized from these up-to-date, accurate, and complete Reports.

CREDIT INTERCHANGE BUREAUS National Association of Credit Men

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Answers to credit questions

Conducted by E. B. Moran

The National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in *Credit and Financial Management*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principle of law involved.

Sales

Q. Does the Uniform Sales Act control the laws governing sales in any state in the United States?

A. No. The uniform act applies only in those states which have adopted it. Other states have similar laws but have sufficient differences to warrant their not adopting the uniform act.

The Uniform Sales Act has been adopted by and is effective in thirty-one states and Alaska. The states are: Alabama, Arizona, California, Connecticut, Idaho, Illinois, Indiana, Iowa, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Nebraska, Nevada, New Hampshire, New Jersey, New York, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Tennessee, Utah, Vermont, Washington, Wisconsin and Wyoming.

Married women

Q. One of our New Jersey customers, operating under a trade style, is a business owned and conducted by a married woman. Does this fact in any way increase the credit risk we are assuming in dealing with this company?

A. No. The rights and liabilities of married women in New Jersey are statutory. They are contained in Chapter 71 of the Acts of 1929 as amended by Chapter 207, Acts of 1934, which provides, "Any married woman shall, after passing of this Act, have the right to bind herself by contract in the same manner and to the same extent as though she were unmarried, which contract shall be legal and obligatory and may

be enforced at law or in equity by or against such married woman in her own name, apart from her husband, and any contract relating to or affecting her estate, interest or right in her real property or in that of her husband shall be valid without the joinder therein or consent thereto of her husband, but shall not affect any estate, interest or right of her husband in such real estate. Any married woman may execute and deliver any instrument relating to or affecting her estate, interest or right in her real property or in that of her husband with the same effect as if she were sole and unmarried, and any such instrument shall be valid without the joinder therein or consent thereto of her husband; but no conveyance, deed, contract or act of such married woman and no judgment or decree against her shall affect any estate, interest or right of her husband in such property, nor shall anything herein enable husband or wife to contract with, or to sue each other, except as heretofore."

Bankruptcy fees

Q. When creditors elect a trustee in a bankruptcy action, are the fees to be received by the trustee an arbitrary sum, or is his compensation controlled by some law or statute?

A. Compensation of a trustee in bankruptcy is statutory. The provisions governing such may be found in Section 48 of the Bankruptcy Act in subdivisions a, b, and c. The text of the section in reference to trustees is: "a. Trustees shall receive for their services, payable after they are rendered, a fee of five dollars, deposited with the clerk at the time the petition is filed in each case, except when a fee is not required from a voluntary bankrupt, and such commissions on all moneys disbursed or turned over to any person, including lien holder, by them, as may be allowed by the courts, not to exceed six per centum on the first five hundred dollars or less, four per centum on moneys in excess of five hundred dollars and less than fifteen hundred dollars, two per centum on moneys in excess of fifteen hundred dollars and less than ten thousand dollars, and one per centum on moneys in excess of ten thousand dollars. And in case of the confirmation of a composition after the trustee has qualified the court may allow him, as compensation, not to exceed one-half of one per centum of the amount to be paid the creditors on such composition. b. In the event of an estate being administered by three trustees

instead one trustee or by successive trustees, the court shall apportion the fees and commissions between them according to the services actually rendered, so that there shall not be paid to trustees for the administering of any estate a greater amount than one trustee would be entitled to. c. The court may, in its discretion withhold all compensation from any trustee who has been removed for cause."

Collector

The deceased furnace-installer knocked at the gates of hell and demanded admittance. "What do you want here?" asked Satan. "I want to collect from several of my customers who died before I did," was his response. "How do you know that they're here?" asked Satan. "Well, they told me to come here, every time I tried to collect."

Very handy man

He was no spendthrift, this portly civic dignitary who had retired to a comfortable house in a small country town, and he had advertised for a handyman, to live out, at \$10 a week.

The first applicant entered with a dubious air.

"What's the job like?" he asked.

"Well," was the reply, "first of all, you'll have to do all the rough work in the garden. Then you'll have to polish all the shoes and clean the windows and the knives."

"Oh!"

"Groom the pony and the dogs and clean the car."

"Oh, yes."

"Do any repair jobs in the house—plumbing, carpentry, glazing, clock-mending, and so on—and wait at table."

"Oh, I see!"

"And in your spare time you can—"

"I'll tell you, guv'nor. I can sing alto in case you was giving a party, tune the piano, rescue people from burning buildings, and do any deep-sea diving that's got to be done."

—"Kablegram"

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OUTSTANDING ROOM VALUES

\$2.50 up

CREDIT and FINANCIAL MANAGEMENT APRIL, 1935



Souvenirs?

Once upon a time this bill was worth something. It could be used to pay accounts and to purchase merchandise. Now it is only a souvenir, because Pancho Villa is out of business.

Why hold your accounts until they become souvenirs?

While your accounts are fresh, save time and money by using the efficient and proven services of the

Collection Divisions
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Court decisions



WARNING TO PERSONS HOLDING CHATTEL MORTGAGES ON PROPERTY IN THE STATE OF IDAHO.

The Chattel Mortgage Law of the State of Idaho was amended on March 5, 1935, in a manner which requires mortgagees of property in that state to take immediate action for the protection of their mortgages.

Under the law as it existed until March 5, 1935, chattel mortgages were valid in Idaho until the obligation secured by the mortgage was barred by the Statute of Limitations,—usually five years.

By the Act of March 5, 1935, the duration of the validity of chattel mortgages has been limited to three years after the maturity of the obligation secured by the mortgage. The Act provides for the renewal of chattel mortgages upon the expiration of such 3-year period, by the filing with the County Recorder of the county in which the property is located, prior to the expiration of the 3-year period, by the mortgagee or his assignee or other successor in interest, of an affidavit showing the date of the mortgage, the names of the parties, the date of the filing and the amount of the debt justly owing at the date of the making of such affidavit, or the condition of the obligation then unfulfilled.

If the mortgagee is a corporation, the affidavit may be made in its behalf by an officer, agent, attorney or other representative of the corporation. The affidavit may likewise be filed in the office of the Secretary of State. The mortgage may be subsequently renewed for successive periods of three years in the same manner.

The Act is retroactive as respects mortgages already on file, and the lien on existing mortgages now of record will expire three years from the date

of the maturity of the obligation, secured by the mortgage, even though such three-year period has already passed, unless within six months after March 5, 1935 the mortgagee makes and files an affidavit of renewal as above set forth thereby continuing the effect of the filing of the mortgage for a period of three years from the date of filing the renewal affidavit.

LIENS—chattel mortgage—description in chattel mortgage must be definite and certain. In Ohio, as elsewhere, a chattel mortgage to be valid as against creditors must describe the mortgaged property with sufficient definiteness to enable third parties to identify the property subject to the mortgage lien.

SAME—chattel mortgage which fails to give residence or place of business of either mortgagor or mortgagee or location of property is invalid.

A mortgage of chattels which fails to recite the residence or place of business of either mortgagor or mortgagee, or the place where the mortgaged property is located, is void as to the mortgagor's trustee in bankruptcy even though the name of a city is part of the name of the mortgagor.

IN THE MATTER of Conrad Kiel & Son, bankrupt.

On objections to landlord's claim to priority for past due rent. Claim disallowed.

PRIORITY of debts and Claims—debts entitled to priority by state or federal laws—decisions of highest state court determine nature of state priorities.

The decisions of the highest court of the state will be followed by the bankruptcy courts in determining the nature of state priorities.

SAME—debts entitled to priority by state or federal laws—rent claims—appointment of receiver is "removal" within New Jersey Landlord and Tenant Act.

Under the New Jersey Landlord and Tenant Act, giving a landlord a lien for rent on goods or chattels taken by virtue of any execution or other process and removed from the premises, provided that he gives notice to the officer holding the process of the amount of rent in arrears, the appointment of a receiver in bankruptcy, with full power to sell the goods and chattels, must be construed as a removal contemplated by the Act requiring affirmative action on the part of a landlord to sustain his priority.

LIENS—landlord's lien—landlord must distrain before bankruptcy of tenant.

Unless the landlord actually distrains upon the goods of the tenant prior to bankruptcy, he has no lien whatsoever upon the goods and chattels of the tenant.

IN THE MATTER of Fred E. Landquist et al., debtors. 70 Fed. (2d) 929; 25 A. B. R. (N. S.) 395.

APPEALS from the District Court of the United States for the Northern District of Illinois, Eastern Division.

Proceedings under the Bankruptcy Act by Fred E. Landquist and another, as co-partners and individuals, for an extension of time in which to pay their debts, wherein the debtors filed a petition praying for a subpoena duces tecum directing Burt C. Hardenbrook and others, as a committee under a deposit agreement, to produce all records in their possession disclosing names and addresses of bondholders, and other information. Petition to quash the subpoena duces tecum was dismissed by the referee, and his ruling was affirmed by the District Court, and Burt C. Hardenbrook and others appeal. Decree affirmed.

INTRODUCTORY—Federal Bankruptcy Act—Constitutionality—Debt Extension Amendment is within bankruptcy provision of United States Constitution.

Section 74 of the Bankruptcy Act providing that any person who is insolvent or unable to meet his debts as they mature may avail himself of the statute with respect to a composition of his debts, or an extension of time in which to pay them, is within the power given to Congress to establish uniform laws on the subject of bankruptcies and not violative of the Tenth Amendment.

SAME—Federal Bankruptcy Act—Constitutionality—Debt Extension Amendment is not improper delegation of legislative and judicial authority.

Section 74e of the Bankruptcy Act, as added in 1933, which gives the court, upon application of a debtor, the right to approve and enforce an extension of time in which to pay debts, or a composition of debts, provided a consent is obtained from a majority in number and amount of debts, is not unconstitutional as an improper delegation of legislative and judicial authority in contravention of article 1, section 1, and article 3, section 1 of the United States Constitution.

SAME—Debt Extension Amendment is not violative of due process clause.

Section 74 of the Bankruptcy Act, as added in 1933, providing for debt extensions or composition of debts, does not violate the due process clause of the Constitution by depriving secured creditors of the opportunity of proceeding against persons secondarily liable upon debts.

EXAMINATIONS in bankruptcy—production of books and papers—whether use of papers would be harmful is question for discretion of court after production.

Whether the production of books and written instruments as required by subpoena might be unduly harmful to the possessor is a matter that should be addressed to the discretion of the court after the production.

SAME—production of books and papers—materiality of documents should be left to court.

The materiality as evidence of documents produced should be left to the court and not to the witnesses producing them.

SAME—production of books and papers—bondholders' committee may be compelled to produce records disclosing names and addresses of bondholders and other information.

In proceedings under section 74 of the Bankruptcy Act as added in 1933 to secure a debt extension agreement, the debtors may have a subpoena duces tecum to require a bondholders' committee to produce all records in their possession disclosing names and addresses of bondholders and other information.

Hitting the Ball:

If you collect the cash before the end of the ninth inning, the Boss will forgive your errors in the other eight.

—Paul A. Barkuloo

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Hotel Mayfair

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OUTSTANDING ROOM VALUES

\$2.50 up

CREDIT and FINANCIAL MANAGEMENT APRIL, 1935

HARRY B. GILLESPIE

An illness of eight days resulted in the death in the Charles Godwin Jennings Hospital, Detroit, of Harry B. Gillespie, former vice president of the Michigan Stove Co. and widely known in credit men's association circles.

Mr. Gillespie was born in Pittsburgh, April 20, 1858, and was educated in the public schools there and at the Prof. Titzell Academy, Zelienople, Pa. In 1880 he entered the employ of the Michigan Stove Co. as an invoice clerk and later became, successively, assistant secretary, advertising director, vice president and treasurer. He served as a director of the company for 21 years. When the company was consolidated with the Detroit Stove Works in 1925 he retired from business.

Active in the affairs of the Detroit Association of Credit Men, he served as its president in 1902 and in 1925 served as chairman of the executive committee of the Fraud Prevention Fund.

He was one of the original members of the Detroit Naval Reserves and was a member of the Detroit Country Club. His home was in the Pasadena Apartments, 2170 E. Jefferson Ave. Surviving are his wife, Emily Norvell Gillespie, and a son, Harry Stevens Gillespie, of New York City.

Oppose added relief for bankrupt debtors

Lincoln, Neb.—The Tri-State Conference of Credit Men, representing wholesalers from Nebraska, Iowa and South Dakota, meeting here, went on record against any further amendments to the U. S. Bankruptcy Act to favor relief of debtors as against the protection of creditors.

The original concept of bankruptcy, the resolution declared, was for the protection of creditors with equitable consideration for the honest debtor. The resolution called upon local associations and officers of the National Association of Credit Men to do everything in their power to bring back such changes as will be consistent with the original concept of bankruptcy legislation.

The conference further called upon the National Association of Credit Men to continue to take an active interest in contemplated new legislation affecting organization and administration of

the Federal Reserve system and opposed any major changes that would tend to weaken or impair the Federal Reserve system. Over 100 credit men attended the meeting in session for two days at the Cornhusker Hotel.

Tregoe sees trade in 1935 at 60% of 1926

Louisville, Ky.—J. Harry Tregoe, at a meeting of the Louisville Credit Men's Association at the Brown Hotel, declared business levels during 1935 would be about 60 per cent of those of 1926, followed by a "good burst of sunshine in the spring of 1936."

Predicting slowly rising trade, Mr. Tregoe said economic stability will be restored through sound practices in business, "and not by legislation, pump-priming and spending of billions on relief." Restoration of profits, easing of the tax burden, and skillful management of costs and prices, he said, will speed the return of prosperity.

An open forum, conducted by Berl Boyd followed the address.

Jersey credit men hear Wm. Pouch

William H. Pouch, head of the Concrete Steel Co., and a past president of the National Association of Credit Men and the New York Credit Men's Association, and Julius S. Rippel, president of J. S. Rippel & Co., Newark, N. J., discussed "What Is Ahead for Business in 1935," at the annual joint dinner meeting of the New Jersey Association of Credit Men, and the Retail Credit Association of New Jersey, Inc., at the Progress Club, Newark.

R. M. Ryan, of the R. C. A. Radio-tron Co., Inc., president of the New Jersey Association of Credit Men, presided.

Newspaper credit group plans

Excellent progress towards one of the best Newspaper Credit Group meetings on record is being made by V. D. Stuart, Credit Manager of the Oakland Tribune and Chairman of the Newspaper Credit Group. At the N. A. C. M. Pittsburgh Convention, when the Group meets, it is expecting to have a feature address for the Group Members by Mr. L. B. Palmer, General Manager of the American Newspaper Publishers Association.

Recently Mr. Stuart received word from Mr. James W. Brown, President and Publisher of "Editor and Publish-

er," in which Mr. Brown stated that the Newspaper Credit Group meeting would be fully reported in this magazine which is the newspaperman's trade publication. "Editor and Publisher" recently carried a long article concerning the advance plans of the Group for its Pittsburgh meeting.

Author! Author!

Increasing recognition of the authority of the National Association of Credit Men in matters relating to credit and business is evidenced by the publication of articles concerning credit activities and the role of credit in business in several publications during the past three months. These have all been signed articles by Henry H. Heimann, Executive Manager of the N. A. C. M.

The publications include: Wharton Review, System and Business Management, Commercial West, Connecticut Industry, The Great Lakes Banker, Reader's Digest, The Journal of the National Association of Referees in Bankruptcy.

Prepare for PITTSBURGH!

40th Annual N. A. C. M. Convention and Fifth Credit Congress of Industry—June 17 to 21

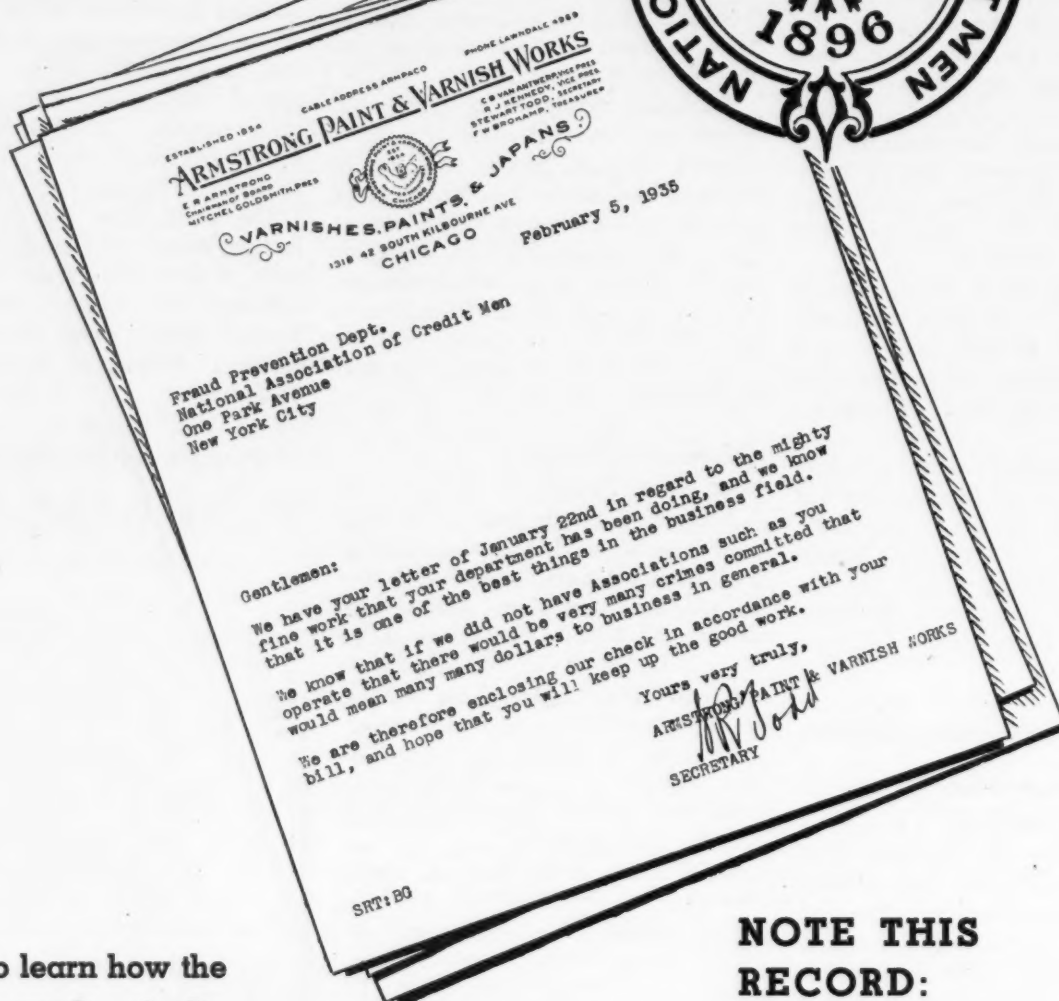
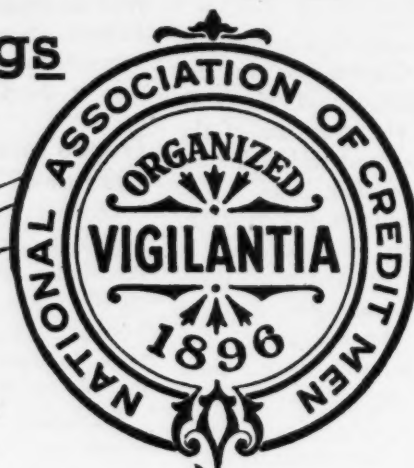


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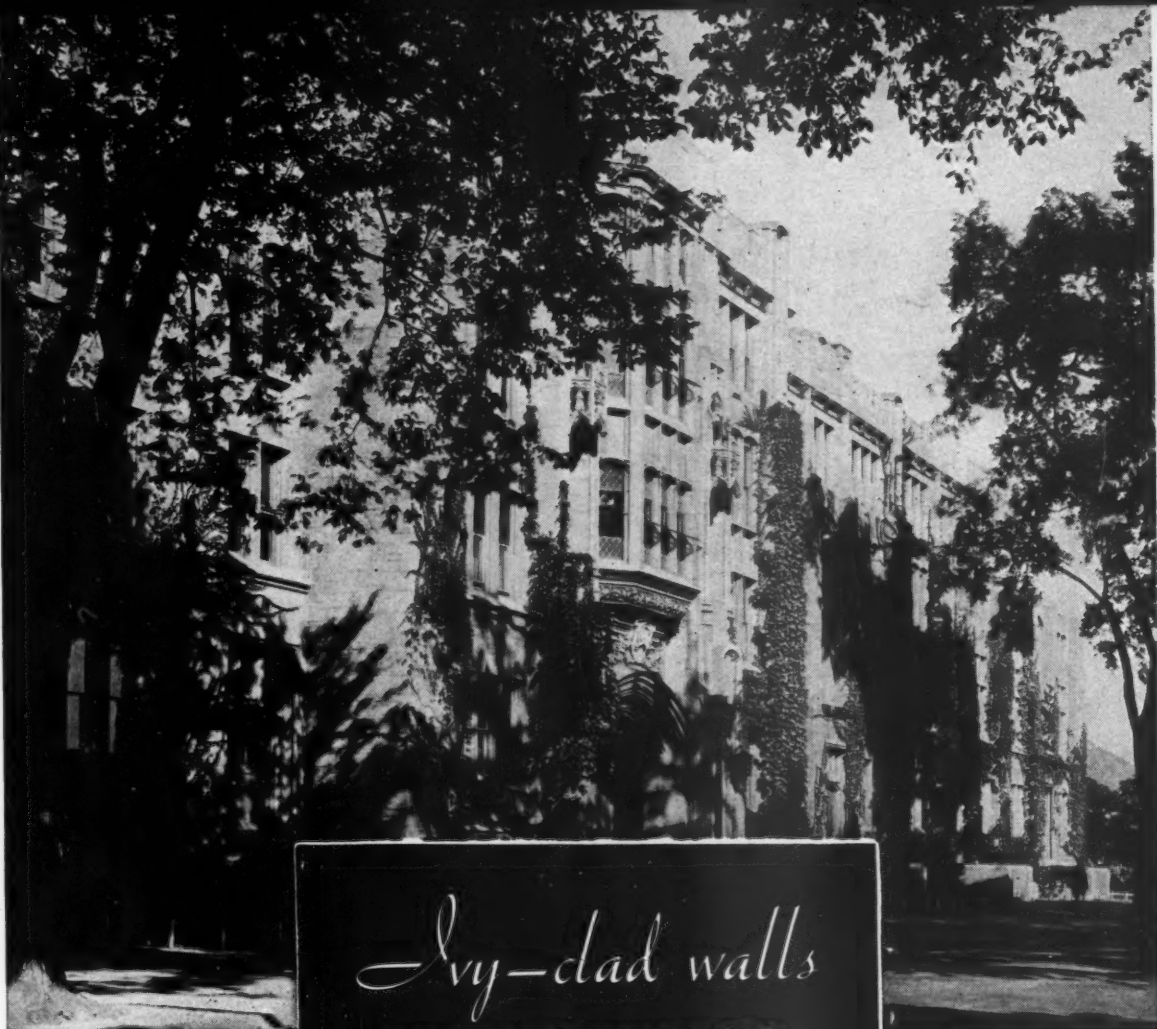
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**NOTE THIS
RECORD:**

June 1925 to March 1935:
1537 CONVICTIONS
2789 INDICTMENTS
4049 INVESTIGATIONS
204,234 Creditors Served
Incidental Property
Recoveries over \$2,000,000

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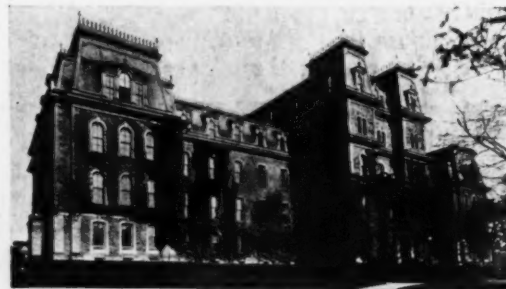
PARDEE HALL IN FLAMES - 1879 - FROM A CONTEMPORARY PAINTING

The Burning of Pardee Hall

THE Liverpool & London & Globe Insurance Company Limited, has insured Lafayette College continuously since 1873, when A. S. Deichman & Company were appointed agents in Easton, Pennsylvania.

The painting reproduced above was inspired by the historic burning of Pardee Hall, dormitory at Lafayette College, on the night of June 4, 1879. Less than a month later, at a meeting of the college trustees, the Company paid a loss amounting to \$100,800 on the building, and \$20,000, being the total amount of insurance

then carried on contents. Prompt adjustment of this loss—a large one in those days—enabled the trustees to proceed at once with rebuilding plans. Lafayette College property is still safeguarded through the Deichman Agency by "L. & L. & G." protection. Today, as in the past, Royal-Liverpool Companies offer security to owners or custodians of property and unexcelled service facilities to their agents.



Pardee Hall from a recent photograph

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